

Briefing on the Scottish Spending Review 2011 and Draft Budget 2012-13

The overview

The Scottish Government has produced a [three year spending review and budget](#), covering the years 2012-13, 2013-14 and 2014-15. The budgets since last year through to 2015:

- 2010-11 £29.2bn
- 2011-12 £27.9bn
- 2012-13 £28.3bn
- 2013-14 £28.2bn
- 2014-15 £28.5bn

This will amount to a real terms* decline in spending over the five year period of 12.3 per cent. The majority of the decline (7%) takes place this year, in 2011-12.

Some notable points from the budget:

- Public sector reform is clearly on Scottish Government's agenda. Taking its cue from the **Christie Commission** (you can read our [briefing on the Christie Commission and the Government's response here](#)), there will be a strong emphasis on preventative spending. This will entail a planned £500m investment over the three year budget. They will also focus on the integration of public services, better workforce development and better flows of information between the government and the Scottish public.
- £750m has been moved to the capital budget to help fund £2.5bn of infrastructure projects to boost the economy.
- The **Scottish Futures Fund** (SFF) (comprised of the Young Scots Fund, Next Generation Digital Fund, Sure Start Fund, Warm Homes Fund and the Future Transport Fund) will spend £160 million over the next three years and a further £90 million in 2015-16 across these five funds.

We have looked at particular portfolios from the budget that we think affects the sector. These portfolios were:

[Education and Lifelong Learning](#)

[Finance, Employment and Sustainable Growth](#)

[Health, Wellbeing and Cities](#)

[Local Government](#)

** The budget sets out the amount of money the government will spend and also provides these figures in real terms. 'Real terms' means that inflation has been taken into account. A pound today buys more than a pound in three years time because of inflation. So a budget line that stays at a constant money level over three years is in fact losing value and falls in real terms.*

Education and Lifelong Learning

This portfolio covers national level education initiatives, universities, colleges and lifelong learning. Under the budget university spending increases by £140m over three years. In contrast, college spending will decrease by £74m in that same period.

The budget for **employability, skills and lifelong learning** shows a slight increase from £244.4m to £244.5m in three years. This slight increase will equate to a fall of nearly 7.5% in real terms by 2014-15.

Under this budget heading, funding for **Colleges & Adult Learning** falls from £9.1 in 2011-12 to £7m in 2014-15 while spending on **Employability and Tackling Poverty** is to fall, from £1.2m to £1m. We've estimated that these are real terms declines in spending of 28% and 23% respectively.

Other highlights in this portfolio:

- The Scottish Government said *"we have sought to protect the funding that we provide to the third sector to support children and young people facing the greatest difficulties"* and invested **£6.8 million in the Early Years Early Action Fund**.
- There is a modest reduction in **Skills Development Scotland's** allocation for 2012-13, from £181.3m to £176.4m, which is expected to be covered by improved efficiency. Its budget for 2013-14 and 2014-15 will be £187.4m and £185m respectively.
- **Education Scotland's** budget sees a drop from £28.8m this year to £22m in 2014-15, which we've estimated equates in real terms to a reduction in spending of 29% by 2014-15.
- Scottish Government restated its commitment to **reform post-16 education** to better equip young people with the right skills to enter and stay in work.

Finance, Employment and Sustainable Growth

This portfolio includes the budget for the **Third Sector**. The government has stated in the budget: *"The third sector has a key role to play in delivering the Christie Commission's recommendations on place, collaborative spend in localities and preventative spend. We will be working across Government and the public sector to ensure that the third sector's role can be maximised, supporting greater collaboration between the public and the third sectors both at the local and national levels."*

The **Third Sector** budget is £27m this year (2011-12), and includes £3m in the Scottish Investment Fund. This was due to expire in 2010-11 but has been extended to 2011-12. The Third Sector budget for 2012-13 through to 2014-15 will be £23.5m with an additional £1m per year spent on the Reducing Re-offending Change Fund – one of the new preventative spending funds. In real terms spending on the third sector falls by nearly 16% over the budget.

Health, Wellbeing and Cities

This portfolio is responsible for helping people to maintain and improve their health, especially in disadvantaged communities, and for delivering high quality healthcare. Its remit also includes tackling discrimination; promoting equality and sport; and working collaboratively with cities to optimise their contribution to Scotland.

The **Equalities** budget will remain unchanged through to 2014-15 at £20.3m. Although the budget remains the same in each year, in real terms it will fall 7.5% by 2014-15.

Local Government

The general resource grant to **local authorities** is at £7,754.8m this year and will fall to £7,346.6m by 2014-15. COSLA estimates that they face a 7% reduction in funds over three years even while they expect an extra £1bn worth of demand.

COSLA has stated: *“that can mean only one thing - a significant reduction in local services and local spend, neither of which is good news for local economies throughout Scotland.”*

Other points in the budget that may be of interest

- The **culture budget** is to fall from £154.6m this year to £132.6m in 2014-15,
- **Legal aid** spending is to fall from £154m this year to £142.8m in 2014-15.
- There will be £38.3m under **Drugs and Community Safety** including £3m to tackle **sectarianism** in the next financial year.
- The largest growth of any Scottish government spending area is on **student support**, which jumps from £516m this year to £855m in 2014-15.
- **OSCR**, the charity regulator, sees a fall in income from £3.3m to £3.0m.
- Under the culture and external affairs portfolio, the government has committed to working with the public and third sectors to boost **digital participation** across Scotland through the Scottish Futures Fund.
- The **Zero Waste budget** will support programmes aimed at waste prevention and minimisation and environmental education.
- The **Young Scots Fund**, part of the SFF, has £25.4m over the three years of the Spending Review.
- The **£50m Jessica Fund** continues to provide loans and investments through the European Investment Bank for a range of urban regeneration projects