

Deputy First Minister and Cabinet Secretary for
Finance, Constitution and Economy
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Kenneth Gibson MSP
Convenor
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Scottish Parliament
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4 March 2016

Dear Kenneth

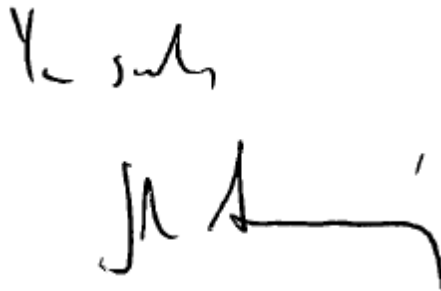
Scottish Government Borrowing Powers

The 2015-16 Scottish budget includes provision to borrow up to £306 million to support capital investment (for the first time under powers devolved in the Scotland Act 2012). The Committee has expressed an interest in the Scottish Government's plans to use the borrowing powers, including during budget scrutiny. Ahead of our session next week on the Spring Budget Revision 2015-16, it might be helpful to the committee if I set out the latest position.

As the committee is aware, the Office of National Statistics classified the Aberdeen Western Peripheral Route (AWPR) Non-Profit Distributing project to the public sector in July 2015. Whilst there is continuing engagement with the Office of National Statistics on the position in relation to the AWPR and other NPD projects, I have taken a prudent approach and managed the budgetary impact of public sector classification in setting the Draft Budget 2016-17.

In relation to the 2015-16 position, the Scottish Government has agreed with HM Treasury exceptional arrangements to allow estimated expenditure of around £280 million on these projects, which would otherwise be a direct charge against Capital DEL budgets for 2015-16, to be recorded against the Scotland Act 2012 borrowing limit for the year. This is for budgeting purposes only. No actual drawdown of borrowing from the National Loans Fund or other sources is therefore required for this amount in 2015-16.

This treatment has the advantage of minimising the interest costs in respect of the relevant projects. A final decision on any drawdown of the balance of around £26 million in borrowing available will be taken late in the year dependent on the overall budget position. Current expectations are that the position in the capital programme will be such that no drawdown of this balance is likely to be required.

A handwritten signature in black ink, appearing to read 'John Swinney', with a stylized, cursive script.

JOHN SWINNEY