

SPICe Briefing

Draft Budget 2010-11

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Ross Burnside

This briefing summarises the broad trends in the Scottish Government Draft Budget 2010-11.

More detailed presentation of the budget numbers can be found in the following spreadsheets. Level 1 and 2 refer to “higher” level figures. Level 3 is the most detailed published breakdown of the Government’s figures.

Levels 1 and 2 Cash and Real terms:

[Draft Budget 2010-11 - Level 1 and Level 2 cash and real](#) (spreadsheet produced by Scherie Nicol)

Level 3 Cash and Real terms:

[Draft Budget 2010-11 Level 3 real](#) (spreadsheet produced by Scherie Nicol and Jim Dewar)

This briefing highlights differences between this year’s Draft Budget and last year’s which are individually over £10m. A [spreadsheet containing all the changes in this year’s Draft Budget](#) is also available (spreadsheet produced by Nicola Hudson).



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EXECUTIVE SUMMARY

Draft Budget 2010-11:

Ross Burnside

Background

The economic context for Draft Budget 2010-11 is substantially different from last year and has resulted in changes to the plans contained in Draft Budget 2009-10 (published in September 2008). The UK Government Pre-Budget Report 2008 and Budget 2009 resulted in Barnett derived consequential changes in the Scottish budget and the Scottish Government opted to re-profile capital spending from 2010-11 into 2008-09 and 2009-10. This has had a downward effect on the Scottish budget for 2010-11. However, there has been a lower rate of inflation than originally expressed in Spending Review 2007 and Draft Budget 2009-10 which means that the Scottish Government is now able to derive savings from lower general costs and pay settlements. Indeed while the 2010-11 budget is tighter than previous years, there is a general consensus that future years will be more challenging (Centre for Public Policy for Regions 2009).

The main points to note from this year's Draft Budget are as follows:

- the Departmental Expenditure Limit (DEL), which is the discretionary element of the Scottish budget, is planned to decrease by 0.9% in real terms in 2010-11 on the previous year (tables 2, 6, 7). If the Scottish Government had opted not to re-profile £347m capital, the DEL would have increased by 1.3% (table 2)
- the Health and Wellbeing and Local Government portfolios account for 72.8% of the Scottish Government DEL (table 8)
- the Local Government, Education & Lifelong Learning and Justice portfolios have been allocated the largest real terms increases in 2010-11, whilst Finance & Sustainable Growth and Health and Wellbeing have been allocated the largest real terms decreases (figure 2)
- the amount allocated to AME in real terms will increase by 0.4% in 2010-11 (table 10)
- the proposed real terms change in the DEL Capital Budget in 2010-11 is -16.6% (table 12). However, this is due to the re-profiling of £347m capital from 2010-11 to 2009-10. Had the re-profiling not taken place, the capital budget would have increased in real terms by 0.2% in 2010-11 on the previous year
- the largest portfolio percentage increases in capital spend in 2010-11 are planned in Justice (+16.7), Education and Lifelong Learning (+6.0%) and Crown Office and Procurator Fiscal (+5.9%). The largest portfolio percentage decreases in capital spend in

2010-11 are planned in Health and Wellbeing (-23.2%), Finance and Sustainable Growth (-18.4%) and Local Government (-18.1%) (table 12)

- the planned real terms increase in DEL resource in 2010-11 is 1.4% on the previous year. The largest percentage real terms increase is planned for Local Government (+3.1%), followed by Scottish Parliament and Audit Scotland (+1.5%). The largest DEL resource real terms decrease is planned for Administration (-4.4%), followed by Crown Office and Procurator Fiscal (-1.5%) (table 14)
- the largest absolute real terms increase in 2010-11 occurs in the General Revenue Grant within the Local Government portfolio (+£400.7m) (table 16)
- the largest real terms decrease in 2010-11 occurs in the Housing and Regeneration budget line (-£260m) (table 17)
- the Draft Budget reiterates the Scottish Government's intention to deliver 2% efficiency savings in 2010-11 which it claims is worth £3.2bn in monetary terms.

Table 15 contains the main changes to the spending plans in 2010-11 compared with the figures presented in last year's Draft Budget. Only changes over £10m in Level 3 budget lines have been included.

CONTEXT

Draft Budget 2010-11 was published on 17 September 2009 and sets out the Scottish Government's spending plans for 2010-11. Its publication commences the parliamentary scrutiny of the 2010-11 budget which culminates in the Budget (Scotland) Bill being scrutinised by Parliament in January/February 2010.

Financial year 2010-11 is the 3rd and final year of the current Spending Review (SR). Normally the third year of an SR would see relatively few changes from the previous year's plans. However, the global economic crisis that hit in the latter part of 2008 led the UK and Scottish Government to re-evaluate their spending intentions for the remainder of the SR period. Consequently, the intended Scottish spending plans for financial years 2008-09, 2009-10 and 2010-11 have been altered from those presented in last year's Draft Budget. The main changes to the Scottish Government's spending plans are presented in the table below. These incorporate changes from UK Government derived Barnett consequential in the Scottish budget and the Scottish Government's decision to re-profile £347m from 2010-11 into 2008-09 and 2009-10.

Table 1: Changes to the Scottish Budget from UK and Scottish Government decisions since Draft Budget 2009-10

£m	2008-09	2009-10	2010-11
UK Government changes			
UK Pre-Budget Report Consequential increases (November 2008)	+0.4	+5.7	+5.2
UK Pre Budget Report Consequential decreases (November 2008)			-128.6
UK Budget 2009 Consequential increases (April 2009)		+79	+24.7
UK Budget Consequential decreases (April 2009)			-391.7
Scottish Government changes			
Capital re-profiling	+53	+294	-347
Combined UK and Scottish Government changes	+53.4	+378.7	-837.4

Sources: Burnside 2009, Treasury 2008, Treasury 2009.

The Scottish Government Draft Budget 2010-11 presents the Departmental Expenditure Limit (DEL) with the re-profiled monies included. The following table presents the Scottish Government's DEL with and without the re-profiled monies in cash and real terms. Real terms figures for 2010-11 are shown at 2009-10 prices, and have been calculated using the Treasury GDP deflator of 1.5%.

Table 2: Scottish Government Draft Budget DEL with and without the re-profiled monies

£m	2009-10	2010-11	% change
Cash Terms			
DEL	29,535.1	29,712.4	0.6
Capital re-profiling	-294	+347	
Total without re-profiling	29,241.1	30,059.4	2.8
Real Terms			
DEL	29,535.1	29,273.3	-0.9
Capital re-profiling	-294	+341.9	
Total without re-profiling	29,241.1	29,615.2	1.3

Note: The Scottish Government calculates the 2010-11 real terms DEL as being £29,266.8m. By dividing the cash DEL of £29,712.4m by 1.015, SPICe calculates the real terms DEL as £29,273.3m – a difference from the Scottish Government real terms figure of £6.5m.

The remaining tables in this briefing use the numbers in the Draft Budget, which include the re-profiled monies.

IMPACT OF LOWER INFLATION

Another consequence of the recent financial crisis has been the drop in inflation in the UK. When the Draft Budget 2009-10 was published in September 2008 (Scottish Government 2008) the Treasury was forecasting inflation, expressed as GDP deflators, of 2.75% for both 2009-10 and 2010-11. This meant that £100 of planned spend in 2010-11 would have had an expected purchasing power of £94.72 in 2008-09 terms had inflation been at the rate predicted last year.

As the latest Draft Budget acknowledges, general inflation has been sharply lower than forecast last year and the Treasury is now forecasting GDP deflators of 1% for 2009-10 and 1.5% for 2010-11. This has the effect of making the cash available go further, increasing the value of the cash spend in real terms compared with the figures used in the Draft Budget 2009-10. Thus £100 of planned cash spend in 2010-11 now has an expected purchasing power of £97.55 in 2008-09 terms, almost 3% more than was expected last year. However, price inflation in individual budget portfolios is likely to vary from the overall Treasury GDP deflator.

OVERALL TRENDS IN PLANNED SPENDING

Total Managed Expenditure (TME) comprises Annually Managed Expenditure (AME) and the Departmental Expenditure Limit (DEL).

AME covers expenditure which is difficult to predict precisely but where there is a commitment to spend or pay a charge. Examples include teachers and NHS staff pensions and motorway and trunk road interest charges. The budget lines for these items are in effect a forecast of the cost of meeting these commitments rather than the consequence of recent decisions, although the distinction is not precise and spending has in the past been switched between AME and DEL.

DEL is the element of the budget over which the Scottish Government has discretion and covers the balance of the TME. Departments are expected to limit DEL expenditure to the amounts set out in the budget bill. Any increase over these amounts requires the further agreement of parliament. The DEL is divided into DEL Capital and DEL Resource. DEL Resource is equivalent to the in-year cost of providing services but also includes capital grants given to other organisations such as NDPBs, local authorities and health boards. Under Treasury rules money can be transferred from DEL Resource to DEL Capital but not vice versa.

Tables 3 and 4 below show TME in cash and real terms and how this is allocated to DEL, AME and TME.

Table 3: Allocation of TME to AME and DEL: Cash Terms

£ millions	2009-10 Budget	2010-11 Draft Budget
Total DEL of which:	29,535.1	29,712.4
<i>DEL Resource</i>	25,753.2	26,510.9
<i>DEL Capital</i>	3,781.9	3,201.5
AME	5,330.0	5,431.7
Total Managed Expenditure	34,865.1	35,144.1

Table 4: Allocation of TME to AME and DEL: Real Terms

£ millions	2009-10 Budget	2010-11 Draft Budget
Total DEL of which:	29,535.1	29,273.3
<i>DEL Resource</i>	25,753.2	26,119.1
<i>DEL Capital</i>	3,781.9	3,154.2
AME	5,330.0	5,351.4
Total Managed Expenditure	34,865.1	34,624.7

Table 5 below presents the percentage changes in TME, DEL and AME in 2010-11. TME is set to decrease by 0.7% (-£240.4m) in real terms in 2010-11. DEL resource will increase by 1.4%. DEL capital will fall by 16.6% but this is explained by the re-profiling of capital from 2010-11 to 2009-10 (see above). Without the re-profiling, DEL capital would increase by 0.2%. AME will increase in 2010-11 by 0.4%.

Table 5: Annual percentage increase in DEL, AME and TME in Real terms

%	2010-11 Plans
Total DEL of which:	-0.9
<i>DEL Resource</i>	1.4
<i>DEL Capital</i>	-16.6
AME	0.4
Total Managed Expenditure	-0.7

DEPARTMENTAL EXPENDITURE LIMIT

Table 6 sets out the DEL by portfolio in cash terms and table 7 shows the DEL in real terms in 2009-10) prices.

Table 6: DEL (Cash terms) by portfolio 2009-11 (£m and % change)

DEL CASH	2009-10 Budget £m	2010-11 Draft Budget £m	2010-11 change on 09-10 %
Office of the First Minister	290.4	294.9	1.5
Finance & Sustainable Growth	2,879.0	2,718.1	-5.6
Health and Wellbeing	11,821.9	11,834.3	0.1
Education and Lifelong Learning	2,648.8	2,716.9	2.6
Justice	1,178.6	1,215.0	3.1
Rural Affairs & the Environment	626.9	628.6	0.3
Administration	270.0	262.2	-2.9
Crown Office & Procurator Fiscal	118.7	119.2	0.4
Local Government	9,589.9	9,809.0	2.3
Scottish Parliament and Audit Scotland	110.9	114.2	3.0
Total	29,535.1	29,712.4	0.6

Table 7: DEL (Real terms) by portfolio 2009-11 (£m and % change)

DEL REAL	2009-10 Budget £m	2010-11 Draft Budget £m	2010-11 change on 09-10 %
Office of the First Minister	290.4	290.5	0.0
Finance & Sustainable Growth	2,879.0	2,677.9	-7.0
Health and Wellbeing	11,821.9	11,659.4	-1.4
Education and Lifelong Learning	2,648.8	2,676.7	1.1
Justice	1,178.6	1,196.8	1.5
Rural Affairs & the Environment	626.9	619.3	-1.2
Administration	270.0	258.3	-4.3
Crown Office & Procurator Fiscal	118.7	117.3	-1.2
Local Government	9,589.9	9,664.0	0.8
Scottish Parliament and Audit Scotland	110.9	112.5	1.5
Total	29,535.1	29,273.3	-0.9

Points to note on the DEL plans for 2009-10 and 2010-11 are as follows:

- DEL is planned to increase by 0.6% (£177.3m) in cash terms in 2010-11 on the previous year
- DEL is planned to decrease by 0.9% (-261.8m) in real terms in 2010-11 on the previous year
- The largest portfolio real terms percentage increase will be in Justice which increases by 1.5% (£18.2m) and the Scottish Parliament and Audit Scotland which also increases by 1.5% (£1.6m)
- The largest portfolio decrease will be in Finance and Sustainable Growth which will decrease by 7.0% (-£201.1) in real terms and Administration which falls by 4.3% (-£11.7m)

Table 8: Portfolios as a share of Scottish Government DEL

Portfolio	2009-10 % share of DEL	2010-11 % share of DEL
Office of the First Minister	1.0	1.0
Finance & Sustainable Growth	9.7	9.1
Health and Wellbeing	40.0	39.8
Education and Lifelong Learning	9.0	9.1
Justice	4.0	4.1
Rural Affairs & the Environment	2.1	2.1
Administration	0.9	0.9
Crown Office & Procurator Fiscal	0.4	0.4
Local Government	32.5	33.0
Scottish Parliament and Audit Scotland	0.4	0.4

Table 8 shows each portfolio as a percentage of the total Scottish Government DEL and how their share is planned to change between 2009-10 and 2010-11. Finance and Sustainable Growth will fall from 9.7% to 9.1% as a share of the DEL; Health and Wellbeing will fall from 40.0% to 39.8%. Education and Lifelong Learning increases by 0.1% to 9.1%, Justice increases from 4.0% to 4.1% and Local Government increases as a share of the budget from 32.5% to 33.0%.

It is worth noting that in terms of the Health and Wellbeing budget, it is the “wellbeing” element (largely a reduction in the Housing and Regeneration budget) which accounts for the portfolio falling as a share of the budget. The Health budget is planned to grow by 2.4% in cash and 0.9% in real terms in 2010-11 (Scottish Government annex table 1), whilst the Health and Wellbeing portfolio as a whole is planned to increase by 0.1% in cash terms and fall by -1.4% in real terms.

Figure 1 provides a visual representation of the absolute real terms budgets by portfolio and reveals the relative scale of the two largest budgets of Health and Wellbeing and Local Government, which together will account for 72.8% of the Scottish DEL in 2010-11.

Figure 1: Absolute real terms DEL budgets (£m) by portfolio (2009-2011)

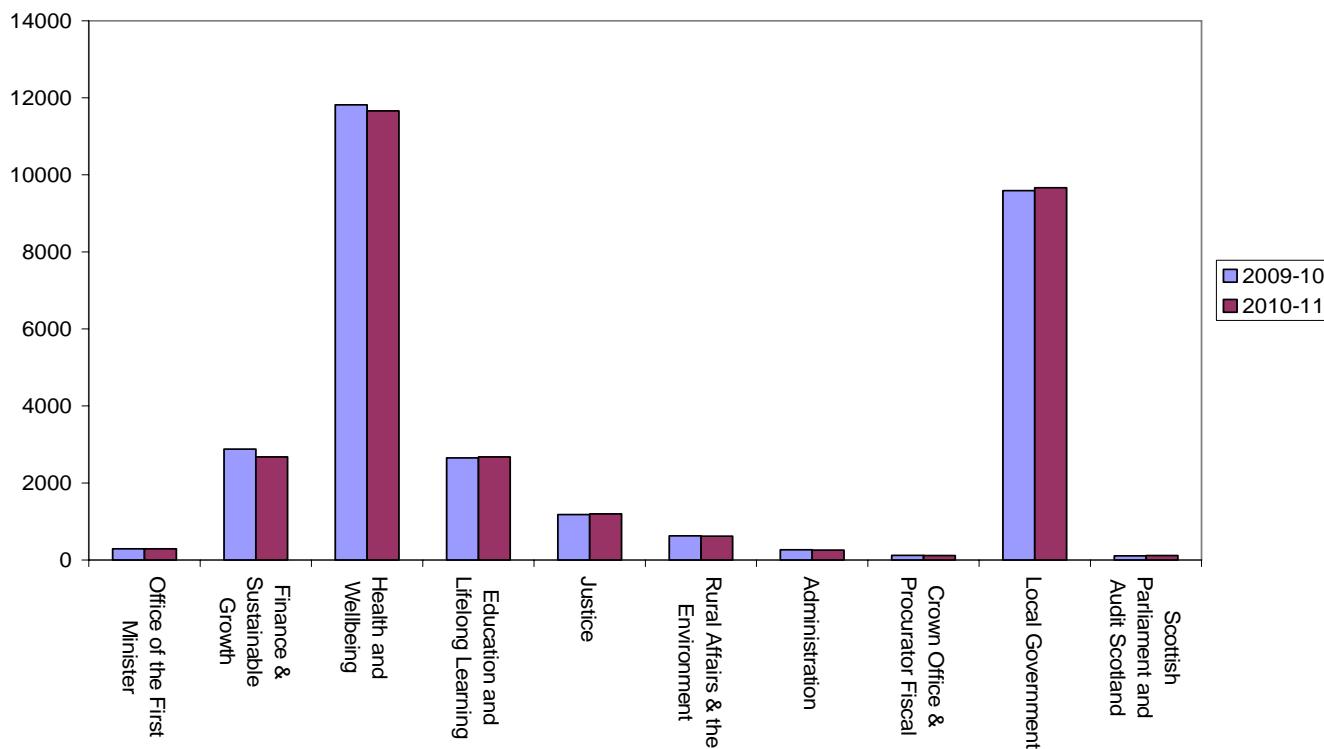
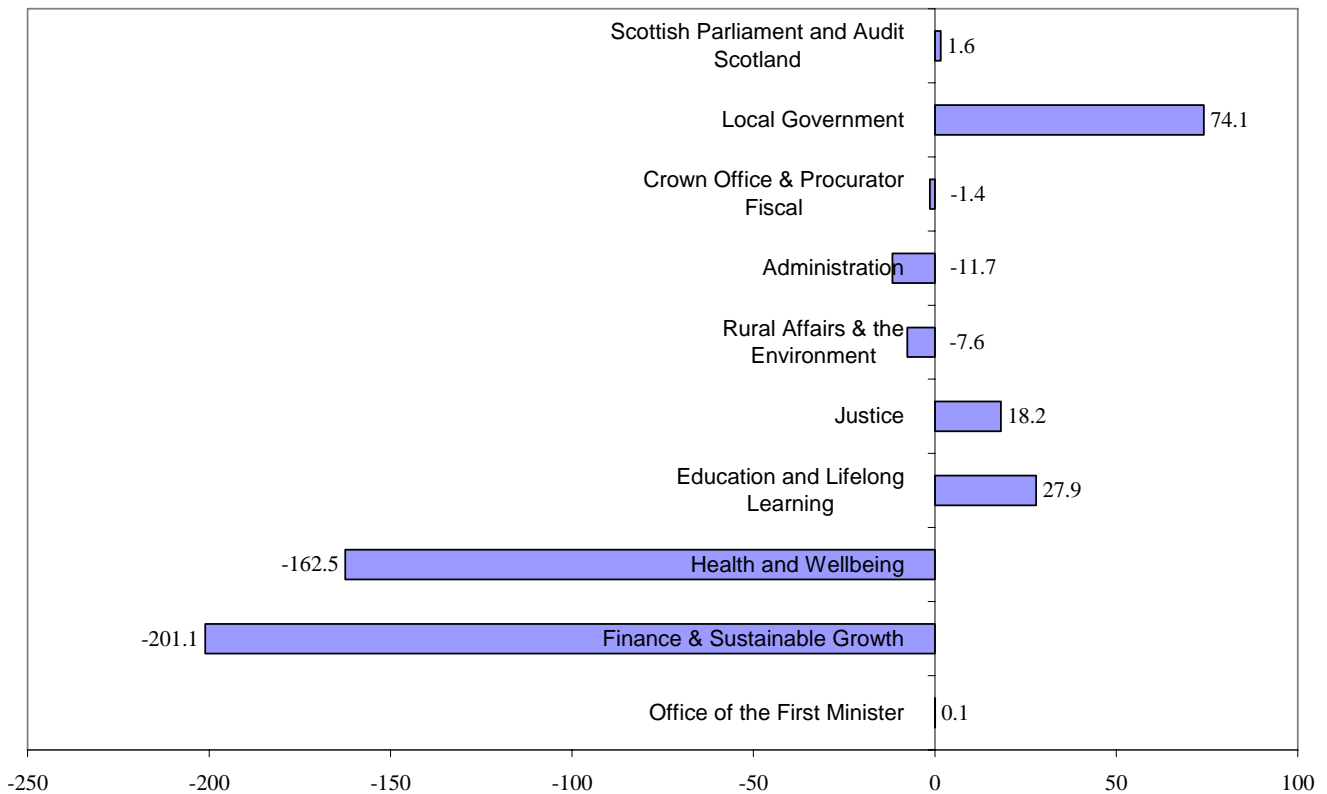


Figure 2 shows the absolute real terms changes by portfolio in 2010-11, depicting how the Government has opted to split the real terms reduction in the DEL. It shows that Local Government, Education & Lifelong Learning and Justice have been allocated the largest real terms increases in 2010-11, whilst Finance & Sustainable Growth and Health and Wellbeing have been allocated the largest real terms decreases.

Figure 2: Real terms (£m) DEL changes by portfolio in 2010-11 on 2009-10



ANNUALLY MANAGED EXPENDITURE

AME will account for 15.5% of TME in 2010-11. It is confined to four portfolios and is presented in table 9 (cash) and table 10 (real).

Table 9: AME (Cash terms) by portfolio 2009-11 (£m and % increase)

AME Cash	2009-10 Budget £m	2010-11 Draft Budget £m	2010-11 Plans Cash increase on 09-10 %
Finance & Sustainable Growth	2,969.1	3,165.4	6.6
Health and Wellbeing	55.0	55.0	0.0
Education & Lifelong Learning	132.7	135.0	1.7
Local Government	2,173.2	2,076.3	-4.5
Total	5,330.0	5,431.7	1.9

Table 10: AME (Real terms) by portfolio 2009-11 (£m and % increase)

AME Real	2009-10 Budget £m	2010-11 Draft Budget £m	2010-11 Plans Real increase on 09-10 %
Finance & Sustainable Growth	2,969.1	3,118.6	5.0
Health and Wellbeing	55.0	54.2	-1.5
Education & Lifelong Learning	132.7	133.0	0.2
Local Government	2,173.2	2,045.6	-5.9
Total	5,330.0	5,351.4	0.4

The amount allocated to AME will increase in real terms in 2010-11 by 0.4% (£21.4m). However, AME is demand led and the actual expenditure may be more or less than the budget figures.

CAPITAL AND RESOURCE EXPENDITURE

The Annex to the Draft Budget 2010-11 provides the DEL Resource/Capital split (Scottish Government 2009, Annex table 3). Table 11 shows the DEL capital in cash terms and the percentage change in 2010-11.

Table 11: DEL Capital (Cash terms) by Portfolio 2009-11 (£m and % increase)

DEL Capital Cash Terms	2009-10 £m	2010-11 £m	2010-11 increase (%)
Office of the First Minister	26.4	28.3	7.2
Finance & Sustainable Growth	1,146.7	949.3	-17.2
Health and Wellbeing	1,121.8	873.9	-22.1
Education and Lifelong Learning	196.2	211.0	7.5
Justice	151.1	179.0	18.5
Rural Affairs & the Environment	73.9	69.6	-5.8
Administration	10.0	10.0	0.0
Crown Office & Procurator Fiscal	6.7	7.2	7.5
Local Government	1,046.2	870.2	-16.8
Scottish Parliament and Audit Scotland	2.9	3.0	3.4
Total	3,781.9	3,201.5	-15.3

Table 12 shows the DEL capital in real terms and the percentage change in 2010-11.

Table 12: DEL Capital (Real terms) by Portfolio 2009-11 (£m and % increase)

DEL Capital Real Terms	2009-10 £m	2010-11 £m	2010-11 increase (%)
Office of the First Minister	26.4	27.9	5.7
Finance & Sustainable Growth	1,146.7	935.3	-18.4
Health and Wellbeing	1,121.8	861.0	-23.2
Education and Lifelong Learning	196.2	207.9	6.0
Justice	151.1	176.4	16.7
Rural Affairs & the Environment	73.9	68.6	-7.2
Administration	10.0	9.9	-1.5
Crown Office & Procurator Fiscal	6.7	7.1	5.9
Local Government	1,046.2	857.3	-18.1
Scottish Parliament and Audit Scotland	2.9	3.0	1.9
Total	3,781.9	3,154.2	-16.6

The proposed real terms change in the DEL Capital budget in 2010-11 is -16.6%. However, as mentioned above, this is due to the re-profiling of £347m capital from 2010-11 into the 2009-10 budget. Had the re-profiling not taken place, the capital budget would have increased by 0.2% in 2010-11 on 2009-10.

The largest portfolio percentage increases in capital spend in 2010-11 are planned in Justice (+16.7), Education and Lifelong Learning (+6.0%) and Crown Office and Procurator Fiscal

(+5.9%). The largest portfolio percentage decreases in capital spend in 2010-11 are planned in Health and Wellbeing (-23.2%), Finance and Sustainable Growth (-18.4%) and Local Government (-18.1%).

DEL Capital's share of the total DEL is 12.8% in 2009-10 and will fall to 10.8% of total DEL in 2010-11.

Table 13 sets out the DEL resource in cash terms and the percentage change in 2010-11.

Table 13: DEL Resource (Cash terms) by portfolio 2009-11 (£m and % increase)

DEL Resource Cash Terms	2009-10 £m	2010-11 £m	2010-11 increase (%)
Office of the First Minister	264.0	266.6	1.0
Finance & Sustainable Growth	1,732.3	1,768.8	2.1
Health and Wellbeing	10,700.1	10,960.4	2.4
Education and Lifelong Learning	2,452.6	2,505.9	2.2
Justice	1,027.5	1,036.0	0.8
Rural Affairs & the Environment	553.0	559.0	1.1
Administration	260.0	252.2	-3.0
Crown Office & Procurator Fiscal	112.0	112.0	0.0
Local Government	8,543.7	8,938.8	4.6
Scottish Parliament and Audit Scotland	108.0	111.2	3.0
Total	25,753.2	26,510.9	2.9

Table 14 sets out the DEL resource in real terms and the percentage change in 2010-11.

Table 14: DEL Resource (Real terms) by portfolio 2009-11 (£m and % increase)

DEL Resource Real Terms	2009-10 £m	2010-11 £m	2010-11 increase (%)
Office of the First Minister	264.0	262.7	-0.5
Finance & Sustainable Growth	1,732.3	1,742.7	0.6
Health and Wellbeing	10,700.1	10,798.4	0.9
Education and Lifelong Learning	2,452.6	2,468.9	0.7
Justice	1,027.5	1,020.7	-0.7
Rural Affairs & the Environment	553.0	550.7	-0.4
Administration	260.0	248.5	-4.4
Crown Office & Procurator Fiscal	112.0	110.3	-1.5
Local Government	8,543.7	8,806.7	3.1
Scottish Parliament and Audit Scotland	108.0	109.6	1.5
Total	25,753.2	26,119.1	1.4

The planned real terms increase in DEL resource in 2010-11 is 1.4% on the previous year. The largest percentage real terms increase is planned for Local Government (+3.1%), followed by Scottish Parliament and Audit Scotland (+1.5%). The largest DEL resource real terms decrease is planned for Administration (-4.4%), followed by Crown Office and Procurator Fiscal (-1.5%).

CHANGES FROM LAST YEAR'S DRAFT BUDGET

Draft Budget 2010-11 shows a number of changes to planned expenditure compared with the plans for 2010-11 set out in last year's Draft Budget (Scottish Government 2008). SPICe has created a [spreadsheet outlining these changes](#).

The following table presents the main changes to spending plans in 2010-11 compared with the figures presented in last year's Draft Budget. Only changes over £10m in Level 3 spending have been included. In some instances, no detailed explanation for the change is provided in the Budget document; in other cases, the explanatory text does not always account for the full scale of the change.

Table 15: Proposed Changes in 2010-11 compared with last year's Draft Budget plans

Portfolio	Proposed changes in 2010-11
Finance and Sustainable Growth	<ul style="list-style-type: none"> • Scottish Public Pensions Agency – net reduction of £126.2m as a result of an increase in the real discount rate applied to future liabilities. An increase in the rate from 2.5% to 3.2% reduces future liabilities, and hence the cost of providing pensions in the future. The figure includes a decrease of £10m in relation to the Teachers' pension scheme and of £116.2m in relation to the NHS in Scotland pension scheme • Public Sector Reform and Efficiency – reduction of £15.6m with the main factor being the decision not to proceed with the introduction of the Local Income Tax • Major Public Transport Projects – reduction of £55m (no explanation given in Budget document) • Motorways and Trunk Roads: Capital Works – reduction of £37.2m primarily due to earlier capital acceleration now requiring repayment • Enterprise Policy and Delivery – reduction of £68.6m with the main factors being a decrease due to capital acceleration in 2009-10 and the transfer of business gateway and local regeneration funding to local authorities • Support for Scottish Water borrowing – decrease of £31.8m reflecting Ministers' guidance to Scottish Water in the draft statement on principles of charging for the 2010-15 regulatory period
Health and Wellbeing	<ul style="list-style-type: none"> • NHS and Special Health Boards – reduction of £95m primarily reflecting savings made from the reduction in the cost of Primary Care drugs • Capital investment – reduction of £50m reflecting repayment of capital expenditure brought forward to 2009-10 • Nursing – reduction of £11.4m (no explanation given in Budget document) • General Medical Services – increase of £28.8m (no explanation given in Budget document) • Pharmaceutical Services Contractors' Remuneration – increase of £33m (no explanation given in Budget document) • General Dental Services – reduction of £12.3m (no explanation given in Budget document) • Pandemic Flu – increase of £20m in respect of the cost incurred in dealing with Pandemic Flu

	<ul style="list-style-type: none"> • Access Support for the NHS – reduction of £48.5m which includes efficiency savings of £20m and a transfer of monies to NHS Boards • Affordable Housing Investment Programme – reduction of £18.5m resulting from capital acceleration to 2009-10 requiring repayment in 2010-11 • Home Insulation – increase of £15m as announced at 2009-10 Budget Bill
Education and Lifelong Learning	<ul style="list-style-type: none"> • Teachers – reduction of £15.7m – due to a reduction in the number of teacher training places • SAAS fees, grants and bursaries – increase of £27.3m partly due to a technical transfer of £40.3m between SFHEFC and SAAS for tuition fees. • Student loans net new lending (AME) – increase of £10.3m • Current funding to Higher Education Institutions – decrease of £46.4m largely due to a technical transfer of £40.3m between SFHEFC and SAAS for tuition fees. • Capital grants for Higher Education Institutions – reduction of £12m due to capital acceleration from 2010-11 to 2008-09 and 2009-10 which now requires repayment • Skills Development Scotland Ltd – increase of £28.1m which includes an additional £16m for Modern Apprenticeships, as agreed in the 2009-10 Scottish Budget; plus £12m transfer of responsibility from Individual Learning Accounts • Individual Learning Accounts – reduction of £12m reflecting the transfer of responsibility to Skills Development Scotland
Justice	<ul style="list-style-type: none"> • Police Central Government – increase of £84.6m (Level 2 spending) with the main elements being an additional £22.5m to cover the cost of additional police officers; an additional £22.6m from local government for ICT reflecting the transfer of ICT responsibilities from police authorities to the Scottish Police Services Authority; and an additional £27.2m to meet costs relating to pension payments • Police Central Government grants to Local Authorities – decrease of £33.3m including a £17.8m transfer to local authority General Revenue Grant reflecting the Police Grant figures agreed in the Spending Review and a £15.5m transfer to the Scottish Police Services Authority
Rural Affairs and the Environment	<ul style="list-style-type: none"> • Zero Waste – decrease of £29.8m reflecting transfers of responsibilities to local government and other departments
Local Government	<ul style="list-style-type: none"> • General Revenue Grant – decrease of £56.5m including a £131m reduction which represents local government's share of the overall reduction in the Scottish Budget; a reduction of £37.8m for the Police ICT transfer and other Police funding transfers between Justice and local government; £1.8m for the ongoing Court Unification transfer. These reductions are partially offset by increases of £40m to fund existing Schools Public Private Partnership contractual commitments; £22.6m as a result of the Business Gateway/Regeneration transfers; £20.9m for the Zero Waste Fund; £20m transfer from local government capital; £18m for Teachers Pensions; £17.8m transfer from Police Specific Grant to General Revenue Grant;

	<p>£12.3m for increased Fire Pensions; £3.5m for the Edinburgh Capital City Supplement; £2.8m for an increase in the number of Respite Care weeks; £2.4m for the transfer of the Ranger Services; £1.5m for policing of Tobacco Sales and £1m for the Orkney Ferry Services</p> <ul style="list-style-type: none"> • Non-domestic rates – anticipated income increase of £54.2m (exact figure will depend on revaluation and poundage rates) • General Capital Grant – reduction of £163.9m due to capital acceleration (£100m); Schools Fund transfer from local government capital to local government revenue (£20m); local government share of the overall reduction in the Scottish budget (£43m capital) • Specific revenue grants – reduction of £34.4m reflecting £17.8m transfer to General Revenue Grant plus £15.5m for the Specific Grant share of the Police ICT transfer
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LARGEST REAL TERMS INCREASES AND DECREASES

Table 16 shows the ten level 2 budget lines with the largest absolute real terms increases in 2010-11 on 2009-10.

Table 16: Level 2 budget lines ranked by absolute real terms increases in 2010-11

Budget line	Portfolio	2009-10 Budget £m	2010-11 Draft Budget £m (09-10 prices)	Real terms increase 09-10 on 10-11 £m	% share of TME
General Revenue Grant	Local Government	7,719.5	8,120.2	400.7	23.5
Scottish Public Pensions Agency	Finance & Sustainable Growth	2,385.0	2,490.6	105.6	7.2
Health	Health & Wellbeing	11,084.1	11,180.0	95.9	32.3
Student Awards Agency for Scotland	Education & Lifelong learning	512.7	560.0	47.3	1.6
Motorways and Trunk Roads	Finance & Sustainable Growth	1,102.2	1,136.0	33.8	3.3
Scottish Prison Service	Justice	455.1	478.6	23.5	1.4
Environment Protection, Sustainable Development & Climate Change	Rural Affairs & the Environment	84.6	94.1	9.5	0.3
Committees, commissions & other expenditure	Finance & Sustainable Growth	21.2	30.3	9.1	0.1
General Register Office of Scotland	Finance & Sustainable Growth	15.7	22.0	6.3	0.1
Europe and External Affairs	Office of the First Minister	12.9	16.8	3.9	0.0

The largest absolute real terms increase in 2010-11 occurs in the General Revenue Grant within the Local Government portfolio which will increase by £400.7m in real terms in 2010-11.

Table 17 shows the ten level 2 budget lines with the largest absolute real terms decreases in 2010-11 on 2009-10.

Table 17: Level 2 budget lines ranked by absolute real terms decreases in 2010-11

Budget line	Portfolio	2009-10 Budget £m	2010-11 Draft Budget £m (09-10 prices)	Real terms increase 09-10 on 10-11 £m	% share of TME
Housing and Regeneration	Health and Wellbeing	701.4	441.4	-260.0	1.3%
Specific Revenue Grants	Local Government	832.3	694.5	-137.8	2.0%
Non-Domestic Rates (NDR)	Local Government	2,165.1	2,037.6	-127.5	5.9%
General Capital Grant	Local Government	462.6	354.7	-107.9	1.0%
Other Transport Agency Programmes	Finance & Sustainable Growth	285.1	196.9	-88.2	0.6%
Specific Capital Grants	Local Government	278.4	202.0	-76.4	0.6%
Enterprise, Energy & Tourism	Finance & Sustainable Growth	522.3	451.2	-71.1	1.3%
Scottish Water and Climate Change	Rural Affairs & the Environment	363.8	340.8	-23.0	1.0%
Rail Services in Scotland	Finance & Sustainable Growth	672.9	657.2	-15.7	1.9%
Other ELL (ELL)	Education & Lifelong Learning	276.9	265.6	-11.3	0.8%

The Housing and Regeneration budget line receives the largest absolute real terms decrease in 2010-11 (-£260m). £120m of the reduction can be explained by the decision to accelerate £120m capital into the 2009-10 budget and repay that money in 2010-11.

EFFICIENCY SAVINGS

Draft Budget 2010-11 reiterates the Scottish Government's intention to deliver 2% cash-releasing efficiencies over the period 2008-11 which it claims will deliver in monetary terms £3.2bn over the three years to be "re-targeted to support programmes and policies which are delivering against our five Strategic objectives" (Scottish Government 2009, p14).

There is no information in the Draft Budget regarding how the £3.2bn will be re-targeted.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Draft Budget also refers to the introduction of International Financial Reporting Standards (IFRS). All UK Government departments (including the Scottish Government) will produce IFRS compliant accounts for financial year 2009-10. Pending the agreement of the Treasury, the Scottish Government's intention is to present an IFRS compliant budget for 2009-10 to the Scottish Parliament at the 2009-10 Autumn Budget Revision which is due in October 2009, while "the Budget Bill for 2010-11 will restate the budget presented in this document on a full IFRS basis" (Scottish Government 2009, p15).

The Draft Budget makes clear that the Treasury has confirmed that budget changes resulting from the introduction of IFRS are intended to be "spending power neutral". As such, this change appears to be largely an accounting exercise, rather than a change that will impact on the discretionary budget of the Scottish Government.

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