

# Budget Bill passed at Holyrood

The Scottish Government claim that Scotland's budget for next year, approved by Parliament today, will deliver the highest ever number of modern apprenticeships in Scotland.

In addition to measures to boost economic recovery in the draft Budget published in November, the Budget Bill now provides for:

- \* 25,000 Modern Apprenticeships in 2011-12, the highest ever number in Scotland
- \* a further £10 million in support for employment creation, focused on new starts and encouraging smaller companies to expand their business base
- \* an increase in Scottish Enterprise funding for the Urban Regeneration Companies to £12.5 million in 2011-12
- \* a further £16 million into housing programmes by expanding the shared equity scheme and the introduction of an infrastructure loans fund
- \* an additional £15 million across 2010-11 and 2011-12 in funding for college bursaries;
- \* £8 million for an additional 1,200 college places in 2011-12, covering both teaching and student support costs
- \* the provision of an extra 2,000 flexible training opportunities in 2011-12, taking the total to 7,000

The money will come from a combination of redirected spending in 2010-11 and 2011-12, a revised projected estimate of non-domestic rates income in 2011-12 and a further carry over provision as noted in the Spring Budget Revision.

Key measures already in the Budget include:

- \* provision for funding to local authorities to deliver a further council tax freeze

- \* maintaining 1,000 extra police officers
- \* protecting spending on running health services in Scotland and abolishing remaining prescription charges
- \* funding for major infrastructure projects such as the new Forth Crossing, the South Glasgow Hospitals and Scotland's Schools for the Future building programme and a 2.5 billion pounds pipeline of infrastructure projects
- \* sufficient teaching posts for all post-probationer teachers in 2011
- \* maintaining the valuable Small Business Bonus Scheme, helping tens of thousands of small businesses around Scotland
- \* introducing a pay freeze for public sector workers, with staff earning less than £21,000 receiving a minimum annual pay increase of £250, and bearing down on the cost of the pay bill for the highest paid

Derek Brownlee Conservative MSP and Shadow Cabinet Secretary for Finance & Sustainable Growth, said:-“Overall the package of measures announced today moves the Budget substantially in the right direction.

So today the Conservatives will vote for this Budget having again secured significant progress on delivering Conservative priorities – creating jobs and reforming public services.

This budget takes effect from April and the decisions Parliament takes today will be implemented largely in the next Parliament.

We hope to be in a position of still greater influence in that next Parliament, but for the avoidance of doubt let me make clear that if any Government, of any colour, seeks to remove what we have achieved in this or previous budgets there will be a high price to pay.

We have delivered across a range of policy areas substantial achievements in this Parliament and will vote for this budget to deliver on more.”

Commenting after securing major concessions to the Scottish Budget on college bursaries and places, modern apprenticeships and support for Post Offices, Liberal Democrat Finance spokesperson Jeremy Purvis MSP said:

“This is a better budget. It’s better for young people wanting the skills they and we need for the economy. It’s better for colleges that will be able to provide more opportunities. And it’s better for businesses that will have more opportunities to take on apprentices.

“This is a better budget because of Liberal Democrat involvement.

“Students now have additional places at college and bursary support. So students gain, the economy gains, employers gain and the country gains.

“We have also secured funding for additional modern apprentices and funding for a second year of our Post Office Diversification Fund.”

✘ Finance Secretary John Swinney said:-

“In the face of a £1.3 billion cut in public spending imposed on Scotland by the UK government, this is a Budget that boosts economic growth and protects our vital frontline services.

“We are doing everything possible for young people and the budget will now support 25,000 modern apprenticeships, the highest ever number in Scotland, giving young people new skills to enter the workforce. It is a budget which supports business growth, including a new £10 million scheme to support new jobs in small businesses and continuing the Small Business Bonus Scheme, as part of a package of business reliefs worth £2.4 billion over five years. I am also in active discussions with the third sector about establishing an initiative to create employment opportunities for unemployed young people.

“The Budget reaffirms our social contract with the people of Scotland by providing the resources to continue the council tax freeze and for the full removal of prescription charges, helping households facing pay restraint and maintaining demand in the economy at a time when we face increases in VAT and fuel prices. We are delivering our commitment to pass to health spending in Scotland the consequential arising from decisions on health spending in the UK Spending Review, and we are continuing provisions for free personal care.

“We have worked closely with COSLA’s Leadership to agree a settlement for local government that maintains their share of the Budget, to help maintain the delivery of vital local services and to maintain core commitments on police numbers, school education and adult social care.

“We are taking forward strategic infrastructure commitments, such as the new Forth Crossing, the New South Glasgow Hospitals Project and the school building programme, and we are protecting local government’s share of the Capital budget. A programme of infrastructure investment worth £2.5 billion in health, education and strategic transport projects will be delivered through the Non-Profit Distributing (NPD) model, helping to maintain construction jobs over the medium term despite the severe cuts that have been made to our capital budget by Westminster.

“The Scottish Government has listened to the calls that others have made and we have responded in the spirit of building consensus across this Chamber. This is a Budget that best meets the needs of the people of Scotland and I am delighted that Parliament has supported it today.”

Measures in the Budget by portfolio include:

## **HEALTH**

£11.4 billion pounds will be spent on the health service in 2011-12, with resource funding increasing by £280 million,

delivering in full the Scottish Government's commitment to pass on the Barnett consequential to the NHS.

Key priorities for the health service include:

delivery of the 18 week referral to treatment standard

continued reduction in the rates of healthcare associated infections

a further £25 million investment to abolish prescription charges in April 2011

a further £42 million in tackling the health and wider social issues associated with alcohol misuse

## **JUSTICE**

The Scottish Government will prioritise:

- \* keeping 1,000 additional police officers on Scotland's streets through the agreement with Local Government
- \* continuing to meet the cost of police and fire pensions
- \* protecting funding to ensure offenders repay their debts to communities through community sentences
- \* maintaining investment at 2010-11 levels in front-line drug treatment services
- \* high priority capital investment projects to go ahead including the Scottish Crime Campus, HMP Low Moss and HMP Shotts phase two

## **EDUCATION**

The Scottish Government will protect frontline service and:

- \* maintain pupil teacher ratios in P1 to P3 as part of agreement with COSLA
- \* save the educational grants for school pupils Educational Maintenance Allowances (EMAs) which were cut south of the border

- \* agree with colleges and universities that the total number of core student places will be protected
- \* create a new Early Years and Early Intervention Fund, with start-up funding of £5 million

## **RURAL AFFAIRS AND ENVIRONMENT**

Key elements of the 2011-12 budget include:

- \* Spending £116.6 million on rural and agriculture support programmes – matched by £116.6 million of EU funds – with support for renewables, food & drink, and less favoured areas sustained at or close to 2010-11 levels
- \* Investment of £26.4 million in supporting the Zero Waste ambitions – on top of investment through local government
- \* £11.9 million investment in Scotland's food and drink industry to help deliver the target of increasing the value of the industry to £12.5 billion by 2017
- \* Protecting the £15.3 million Sustainable Action Fund and increasing the proportion going to the innovative Climate Challenge Fund by one million pounds to £10.3 million

## **CULTURE AND EXTERNAL AFFAIRS**

The main points from the Culture and External Affairs Budget are:

- \* Creative Scotland, the national body supporting and promoting Scotland's culture, arts and creative industries, will see its core budget maintained in 2011-12
- \* Protecting access to high quality cultural experiences, with a smaller than portfolio average reduction in the budgets of the National Performing Companies and National Collections
- \* A further £2 million pounds will be invested in the highly successful Edinburgh Festivals Expo Fund in 2011-12
- \* Capital investment in national cultural attractions will be continued, including early support for the V&A in Dundee
- \* A commitment to the global fight against poverty through maintaining investment in international development, which has

been doubled to £9 million since 2007

\* Investment for a sustainable future for Gaelic

## **CAPITAL INVESTMENT**

The 2011-12 Budget supports major investments to national infrastructure priorities, including initial work on the new Forth Crossing, investment in the South Glasgow Hospitals – both to be delivered through traditional capital funding – and Scotland’s Schools for the Future building programme.

In addition, a new £2.5 billion pounds pipeline of revenue-funded NPD investment will be delivered by the Scottish Futures Trust in partnership with the Scottish Government, local government, NHS boards and other public bodies, involving:

Major transport projects with a capital value of £1 billion, including the Borders Railway project, upgrade of the M8 Baillieston to Newhouse, M74 Raith Junction and M8, M73 and M74 network improvements and the new Aberdeen Western Peripheral Route and A90 Balmedie upgrade

Education projects with a capital value up to £750 million – specific projects within Scotland’s Schools for the Future programme, subject to the agreement of local authorities, improvements to the further education college estate at Kilmarnock and Inverness and modernisation of the Glasgow college estate, subject to the conclusion of a robust and affordable business case

Health projects with a capital value up to £750 million – the Royal Sick Children’s Hospital and Department of Clinical Neurosciences in Edinburgh, revenue support to finance projects through the hub initiative and individual hospital projects, health centres and mental health facilities across Scotland

Parliament approved the general principles of the Budget Bill

in last month's Stage 1 debate and, since then, I have continued to hold extensive discussions with all parties to build consensus around our spending proposals.

I would like to begin by recording my thanks to my counterparts in the other parties, and to [Margo MacDonald](#), for their contributions to these discussions.

Since the Stage 1 debate, I have also provided an early response to the Finance Committee's report on the Draft Budget. The Committee asked me to consider if more measures could be taken to increase the impact of our decisions on economic recovery. I have set out to the Committee the strength of our original proposals but I have also considered what more can be done. My comments today will demonstrate that I have listened to Parliament.

At a time when the financial resources available to Scotland are due to fall by £1.3 billion next year compared to this, it is incumbent on all parties to work together to agree a balanced budget.

Only by doing so can we provide certainty to public sector partners, and the people of Scotland, about spending in 2011-12.

As Members are aware, the financial context for the Budget places constraints on my ability to support additional expenditure.

Parliament's decision to reject the proposed Large Retail supplement has added to those constraints and I have had to take steps in order to offset the loss of estimated income of around £30 million.

In the last few days, I have received updated forecasts of estimated income from Non-Domestic Rates in 2011-12. As a result of these forecasts, which take account of estimates of losses from revaluation appeals and a considered assessment of



growth, I believe that it is reasonable to assume a net increase in non-domestic rates income of £11.5 million in 2011-12 compared to the forecasts that underpinned the Draft Budget, after taking into account the loss of projected income from the Large Retail supplement.

I have advised Parliament previously that my in-year financial management in 2010-11 would be focused on identifying ways of smoothing the scale of the reduction in public spending into the next financial year. My plan had been to carry over £100 million from this year to next. Due to steps I have taken to reduce expenditure this year, I have in fact made a carry over provision of £130 million with HM Treasury as set out in the Spring Budget Revision. I have also been able to re-profile other spending programmes in 2010-11 and 2011-12 to free up resources.

As a consequence of these decisions, I am able to support some new priorities and to fulfil my statutory duty to balance our budget.

This is the full text of John Swinney's address to Holyrood

*Presiding Officer, I wish to present a number of measures to Parliament today.*

*Firstly, I have reflected on the representations made by the Transport, Infrastructure and Climate Change Committee, and the road haulage industry, about provision for the Freight Facilities Grant.*

*I confirm today that I will increase by £2 million the funding for the Freight Facilities Grant in next year's Budget. This will be funded through adjustments to the existing Transport Scotland budget for 2011-12.*

*One of the issues that has arisen in the Local Government settlement has been a negative implication for a limited number of Local Authorities, principally and significantly Argyll and Bute Council over an updating of indicators agreed*

with Local Government that drive the distribution of supporting people funding. In order to temper the effect of this change, I intend to allocate £5 million to tackling this problem and have invited COSLA to match this amount. The distribution will be agreed and undertaken in the Local Government Amendment Order in March.

In 2007 I introduced a Capital City Supplement. It has not been up rated since and I propose to increase the level by £400,000.

Last year, the Liberal Democrats made the suggestion of establishing a Post Office Diversification Scheme. It was successful and I have agreed to their proposal that we operate in 2011-12 a further round of this scheme at a cost of 1 million.

I have also reflected on concerns expressed about funding for Urban Regeneration Companies.

The Chairman and Board of Scottish Enterprise have made the fair point to me that their reduced budget is under significant pressure to support existing commitments and to address the need to support new priorities such as investment in the renewable industry. I confirm today that, by making use of an emerging underspend on the Regional Selective Assistance budget this year, and by Scottish Enterprise making some adjustments to the profiling of other areas of its planned expenditure in 2010- 11 and 2011-12, we will enable Scottish Enterprise to increase its funding for the URCs to £12.5m in 2011-12 – an increase of around £6 million compared to plans in the Draft Budget. This will increase funding to Clyde Gateway, Riverside Inverclyde, the Irvine Bay and Clydebank Rebuilt. I fully recognise the constraints facing Scottish Enterprise and I appreciate the flexibility they have shown.

Turning now to issues of learning, skills, training and

employment, I have received a range of calls for additional expenditure in these areas and I propose to respond in several ways.

The Scottish Government has already put forward a substantial package of support for Higher and Further Education and for skills and training.

The Draft Budget published in November provided the resources to preserve university and college places while upholding our commitment not to raise university tuition fees or college charges.

It supported the continuation of Education Maintenance Allowances and it provided funding for 34,500 training places, including Modern Apprenticeships.

However, I acknowledge that we must create new opportunities, particularly for young people. I have agreed proposals put to me by the Liberal Democrats that will provide for an additional 1,500 Modern Apprenticeships in 2011-12. We will make available an additional £15 million across 2010-11 and 2011-12 in funding for college bursaries and we will provide a further £8 million in funding to support an additional 1200 college places in 2011-12. This funding covers both teaching and student support costs.

The Government will also support the provision of 7,000 flexible training opportunities in 2011-12, 2,000 more than originally planned in the Draft Budget.

On the issue of employment creation, the Conservative Party has been keen to maximise initiatives to support employment growth in the private sector. I am therefore pleased to announce a further £10 million in support for employment creation, focused on new starts and encouraging sole traders and small firms to take on new employees by assisting with their employment and recruitment costs and to assist with exporting.

More generally, I have considered representations made by the

*Conservative Party – and others, including the Finance Committee – on the economic impact of investment in housing.*

*As I have already confirmed in discussions with the Conservatives and the publication last Friday of the Government's Strategy and Action Plan for housing in the next decade, we will take forward a range of measures to stimulate greater private investment in housing development in Scotland, including through the £50 million Investment and Innovation Fund.*

*The Conservatives have proposed that the Government provide additional investment in the sector and I can confirm today that we will invest a further £16m in housing programmes in 2011-12. This will be delivered by expanding the Open Market Shared Equity Scheme, introducing an infrastructure Loans Fund and by developing the New Supply Shared Equity scheme.*

*Presiding Officer, I have considered what scope exists to generate additional efficiency and effectiveness across the public sector during the next financial year.*

*I set out within the Draft Budget a package of measures including an efficiency target for next year of 3%, and setting a public sector pay policy for 2011-12 which will help sustain public services and employment by bearing down on pay increases – and including a complete freeze on pay for chief executives – while seeking also to protect the lowest paid.*

*However, I confirm today that the Scottish Government will examine carefully the Conservative Party's proposals for tackling absenteeism, to determine what additional interventions can be made to add to our work in this area.*

*Presiding Officer, I have set out today a package of measures that I believe responds effectively to the issues that have been raised with me since the Draft Budget was published.*

*They are fully funded, without detriment to the substantial*

package of investment I announced in the Draft Budget in November.

The Budget reaffirms our social contract with the people of Scotland by providing the resources to continue the council tax freeze and for the full removal of prescription charges, helping households facing pay restraint and maintaining demand in the economy at a time when we face increases in VAT and fuel prices.

We are delivering our commitment to pass to health spending in Scotland the consequential arising from decisions on health spending in the UK Spending Review, and we are continuing provisions for free personal care.

We acknowledge and share the concern of the Conservative Party about continuing to improve access to drugs, including cancer drugs. We are happy to look at – and discuss further with the Conservatives – how we make even further progress in improving access to drugs.

We have worked closely with COSLA's Leadership to agree a settlement for local government that maintains their share of the Budget, to help maintain the delivery of vital local services and to maintain core commitments on police numbers, school education and adult social care.

It is a budget which supports new business growth, including by continuing the Small Business Bonus Scheme, as part of a package of business reliefs worth £2.4 billion over 5 years.

We are taking forward strategic infrastructure commitments, such as the new Forth Crossing, the New South Glasgow Hospitals Project and the school building programme, and we are protecting Local Government's share of the Capital budget.

I have announced a programme of infrastructure investment worth £2.5 billion in health, education and strategic

transport projects – to be delivered through the Non-Profit Distributing model, helping to maintain construction jobs over the medium term despite the severe cuts that have been made to our Capital budget.

We will take forward the £70 million Renewables Infrastructure Fund and, as recommended by the Finance Committee, we will continue to make representations to the UK Government about the early deployment of the Fossil Fuel Levy surplus in Scotland.

We remain committed to improving the energy efficiency of Scotland's housing and tackling fuel poverty and are providing £48 million in support for the Home Insulation Scheme and the Energy Assistance Package next year.

Presiding Officer, I have two final announcements to make. I wish to advise Parliament that I am now in active discussions with the Voluntary Sector about the establishment of a new initiative to create employment opportunities for those struggling to get into the Labour Market and I expect to make an announcement on this shortly. Finally, as a consequence of the Budget negotiations, the planned number of Modern Apprenticeships is now 16,500. Whilst a significant commitment I do not think that this is sufficient to deliver opportunities for our young people. I therefore announce the Scottish Government will increase that total in 2011-12 to deliver a record number of Modern Apprenticeships at 25,000.

Presiding Officer, we are doing all of these things despite an unprecedented cut of £1.3 billion in next year's Scottish Budget.

That is why I believe we have prepared a Budget that best meets the needs of the people of Scotland and that is why I believe this Parliament should support the Budget Bill today.

The Government has listened to the calls that others have made of it and we have responded in the spirit of building

*consensus across this Chamber.*

*At a time when businesses and households across Scotland are acting to set their own finances in order at this most challenging of times, it is essential for this Parliament to do likewise.*

*I commend the Budget to Parliament.*