

Holyrood – Spending Review

Over three quarters of a billion pounds will be transferred from resource expenditure into the capital investment programme to support economic recovery, it was announced today.

The Scottish Spending Review 2011, published today, confirms that despite a 36 per cent real terms cut to Scotland's capital budget in the UK spending review, Government-supported investment will grow over the next three years.

Scottish public spending plans for the next three financial years target investment to increase sustainable economic growth and transform public services. There will also be a shift towards preventative spending, focussing on earlier intervention.

The Scottish Government will:

- Focus on accelerating economic recovery to create jobs by switching over three quarters of a billion pounds from resource spending to support capital projects up to 2014-15
- Invest in the low carbon economy to cut emissions and create new jobs
- Implement a shift to preventative spending with specific funding of £500 million over the next three years to encourage joint working across the public sector in adult social care, early years and tackling re-offending
- Pass on in full to the NHS in Scotland the Barnett consequentials from increases in UK health spending;
- Freeze basic pay for 2012-13, to protect employment and continue the policy of no compulsory redundancies for those areas under direct Ministerial control, while paying the uprated Scottish Living Wage of £7.20 an hour and ensuring that any employee earning less than £21,000

continues to receive at least a £250 rise. Ministers will also be freezing their own pay in 2012-13 for the fourth year running;

- Deliver 125,000 modern apprenticeships and use public procurement as a lever for job creation by ensuring that major public contracts deliver new training and apprenticeship opportunities;
- Introduce a new public health levy to tackle the cost problems associated with alcohol and tobacco through a business rates supplement paid by large retailers of both tobacco and alcohol from April 2012
- Increase, reluctantly, employee pension contributions for NHS, teachers, police and fire schemes in Scotland, with in-built protection for the low paid

Finance Secretary John Swinney said:

“Over the last four years, we have tackled the significant challenges presented by the downturn in the global economy and taken forward an ambitious programme of reform of our public services.

“Between 2010-11 and 2014-15, Scotland faces a real terms cut of 12.3 per cent – £3.7 billion – including a real terms cut of 36.7 per cent to our capital budget. Against this stark backdrop, we will steer a distinct course and make the very best use of the constrained resources available to us.

“The latest labour market statistics confirm this – Scotland is the only part of the UK with falling unemployment. Over the year, unemployment has fallen by 33,000 in Scotland compared with an increase of 44,000 across the UK as a whole and Scotland now has the highest employment rate of any UK nation. Our decisions have been focused on supporting recovery in the face of Westminster cuts, and this budget continues that vital process.

“Our Government Economic Strategy focuses on accelerating

economic recovery and the Spending Review prioritises capital investment as a key driver to create new jobs and sustain long-term growth.

“In the absence of borrowing and other financial powers, Government-supported investment will continue to grow over the next three years, despite deep cuts to our capital budget by the UK Government.

“We are switching over three quarters of a billion pounds from resource expenditure to support our capital programme up to 2014-15. We are taking forward a £2.5 billion pipeline of projects using the non-profit distributing model, we are maximising the use of Network Rail’s Regulatory Asset Base to fund new rail projects and we will deliver 30,000 new affordable homes over this Parliament. That is the kind of decisive action needed to boost investment in the new infrastructure Scotland needs to create jobs and prosper.

“The Spending Review also confirms our support for a record 125,000 Modern Apprenticeship places during the lifetime of this Parliament and our commitment that every 16-19 year old in Scotland not in work, part of a Modern Apprenticeship scheme or receiving education is offered a learning or training opportunity. We will also take a new approach to procurement to ensure that recipients of major public contracts deliver new training and apprenticeship opportunities. These measures will help our young people to achieve their full potential.

“We will lead an ambitious programme of public service reform that challenges the public sector in Scotland to reshape, integrate and deliver better services, consistent with the recommendations of the Christie Commission. And in response to the McClelland Report on ICT Infrastructure, I expect every public sector organisation to demonstrate how they will contribute to the potential savings identified of up to one billion pounds in the next five years.

“The Spending Review also marks a decisive shift towards preventative spending, focussing on preventing problems by intervening earlier, delivering better outcomes and value for money. Over the next three years, through the joint priorities work of national and local government, preventative spending initiatives will be boosted by a total of over £500 million. Our focus will be on supporting adult social care, early years and tackling re offending – with specific funding that will only be available for joint working across institutional boundaries and sectors.

In addition, the Scottish Government will:

- Introduce legislation to reform empty property relief from April 2013 to support regeneration and introduce incentives to reduce empty shops in town centres;
- Prioritise key projects such as the new Forth Crossing, the New Glasgow Southern Hospitals Project, the Aberdeen Western Peripheral Route, Borders Rail Project and school building programme while investing in the railways and delivering 30,000 new affordable homes over this Parliament;
- Take forward a £2.5 billion pipeline of projects using the non-profit distributing model, including major investments in roads and hospitals;
- Deliver the new Scottish Futures Fund to invest in a fairer future through tackling fuel poverty and harnessing youth talent;
- Provide funding to cover the council tax freeze, keep 1,000 additional police officers on the streets and maintain teacher numbers;
- Reduce the central Scottish Government estate by at least 25 per cent over the next five years to achieve savings of around £28 million a year in operating costs by 2016.

Mr Swinney continued:

“This Spending Review contains tough choices because of the cuts from Westminster that go too far too fast. We have had to restrict pay costs, reluctantly implement pensions increases on public sector staff, maximise the income gained from asset sales and introduce a public health levy for large retailers to support our preventative spending.

“I recognise the pressure on hard working families through Westminster cuts, increases in the cost of living and pay freezes. By giving workers certainty through no compulsory redundancies, bringing down household bills by freezing the Council Tax and protecting key services including free prescriptions, our social wage seeks to protect families and give them some security at a time of uncertainty.

“We are acting to create new economic opportunities, protect household income and employment, support frontline services and improve our environment. We face these unprecedented challenges without the powers that other countries have at their disposal. That is why we also continue to press for the constitutional changes and independence that would enable us to do much more.”