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Financial Scrutiny Unit Briefing

2010-11 Budget changes

24 May 2010

10/32

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On 24 May 2010, the Chancellor and Chief Secretary to the Treasury set out details of how the UK Government would reduce UK spending by £6bn during the current financial year (2010-11). This briefing presents the Scottish share of the reduction.



The Scottish Parliament
Pàrlamaid na h-Alba

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SCOTTISH SHARE OF £6BN REDUCTIONS IN 2010-11

The changes announced by the Treasury flow to the Scottish budget via a number of UK budgets, and are presented in table 1. Where a UK Budget is in any way devolved to the Scottish Parliament, Scotland receives its share of any changes via the Barnett formula.¹ The Scottish Government has autonomy over how these changes are managed within the Scottish Budget. Table 1 shows the Scottish share of the £6bn 2010-11 reduction announced by the Treasury is £332m.

As the Scottish Parliament has already passed its 2010-11 Budget, the UK Treasury has given the Scottish Government the option to defer these cuts by one year to 2011-12. The capacity to delay implementation of these reductions has also been given to the Welsh Assembly Government and the Northern Ireland Executive.

Table 1: Scottish share of UK Government changes to 2010-11 Budget (£m)

| UK Reductions | |
|---|---|
| UK Budget Area | Scottish Barnett share of reductions |
| Education | 67.335 |
| Transport | 62.807 |
| CLG Communities | 78.076 |
| CLG Local Government DEL | 7.896 |
| Business, Innovation and Skills | 64.022 |
| Home Office | 34.795 |
| Justice | 30.782 |
| Law Officers' Departments | 1.705 |
| Energy and Climate Change | 2.862 |
| Environment, Food and Rural Affairs | 14.816 |
| Culture, Media and Sport | 8.473 |
| Work and Pensions | 0.430 |
| HM Revenues and Customs | 0.101 |
| HM Treasury | 0.005 |
| Cabinet Office | 0.572 |
| Total Scottish share of reductions | 374.676 |
| UK Additions | |
| UK Budget Area | Scottish Barnett share of additions |
| Further Education Colleges | 5.025 |
| Apprenticeships in SMEs | 15.075 |
| Social Housing | 17.085 |
| Business Rates | 5.025 |
| Total Scottish share of additions | 42.210 |
| NET REDUCTION TO SCOTTISH DEL | 332.466 |

Source: Derived from HM Treasury 2010.

¹ Annex 1 provides a breakdown of the Barnett derived changes, allocated in accordance with the Treasury's Statement of Funding Policy (HM Treasury 2007).

RESPONSE OF THE SCOTTISH GOVERNMENT

The Scottish Government plans to take up the Treasury's offer to defer the reductions until financial year 2011-12. In a press release issued after the Chancellor's announcement the Cabinet Secretary for Finance and Sustainable Growth stated that the Scottish Government is "planning to defer these further cuts until the following year, in order that we can entrench economic recovery" (Scottish Government 2010).

This reiterated the position the Cabinet Secretary took at the Finance Committee on 18 May 2010, where he said that he was planning to defer the reductions until 2011-12 on the grounds that the economic recovery in Scotland was fragile. However, he also said that:

"The one caveat to insert into what I said about the approach that I plan to take is that if there are areas where I think obvious opportunities exist for us to take decisions that will not impact on economic recovery but will allow us to address some of the cuts that will be required, I will give consideration to those possibilities in the course of 2010-11. However, my preference, in principle, is to defer until 2011-12" (Scottish Parliament Finance Committee, 2010).

WHAT'S NEXT?

The UK Government has announced that there will be an 'Emergency Budget' on 22 June 2010 which will "set out a comprehensive plan to eliminate the bulk of the UK's deficit over the course of this Parliament" (HM Treasury 2010). The UK Treasury will also undertake a Spending Review reporting in the autumn. Following this, the Scottish Government will undertake a Scottish Spending Review which will include the Government's 2011-12 Draft Budget plans.

SOURCES

HM Treasury. (2007) *Funding the Scottish Parliament, National Assembly for Wales and Northern Ireland Assembly*. London: HM Treasury. Available at:
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ANNEX

Barnett consequentials from UK Government 2010-11 Changes

| £6bn reductions for 2010-11 | | | | | | |
|---|-----------------------------|--|-------------------|----------------------|--|-------------------------------|
| | UK depts' reductions | | Population | Comparability | | Barnett consequentials |
| | £m | | % | % | | £m |
| Education | 670 | | 10.05% | 100.0% | | 67.335 |
| Transport | 683 | | 10.05% | 91.5% | | 62.807 |
| CLG Communities | 780 | | 10.05% | 99.6% | | 78.076 |
| CLG Local Government DEL | 405 | | 10.05% | 19.4% | | 7.896 |
| Business, Innovation and Skills | 836 | | 10.05% | 76.2% | | 64.022 |
| Home Office | 367 | | 9.50% | 99.8% | | 34.795 |
| Justice | 325 | | 9.50% | 99.7% | | 30.782 |
| Law Officers' Departments | 18 | | 9.50% | 99.7% | | 1.705 |
| Foreign and Commonwealth Office | 55 | | 10.05% | 0.0% | | 0.000 |
| Energy and Climate Change | 85 | | 10.05% | 33.5% | | 2.862 |
| Environment, Food and Rural Affairs | 162 | | 10.05% | 91.0% | | 14.816 |
| Culture, Media and Sport | 88 | | 10.05% | 95.8% | | 8.473 |
| Work and Pensions | 535 | | 10.05% | 0.8% | | 0.430 |
| HM Revenue and Customs | 125 | | 10.05% | 0.8% | | 0.101 |
| HM Treasury | 326 | | | | | |
| <i>of which: DEL spending (remainder AME)</i> | 6 | | 10.05% | 0.8% | | 0.005 |
| Cabinet Office | 79 | | 10.05% | 7.2% | | 0.572 |
| | | | | | | |
| TOTAL savings for 2010-11 | | | | | | 374.676 |
| | | | | | | |
| | | | | | | |
| Additions | | | | | | |
| | UK dept additions | | Population | Comparability | | Barnett consequentials |
| | £m | | % | % | | £m |
| Further education colleges | 50 | | 10.05% | 100.0% | | 5.025 |
| Apprenticeships in SMEs | 150 | | 10.05% | 100.0% | | 15.075 |
| Social Housing | 170 | | 10.05% | 100.0% | | 17.085 |
| Business Rates | 50 | | 10.05% | 100.0% | | 5.025 |
| | | | | | | |
| TOTAL additions | | | | | | 42.210 |
| | | | | | | |
| Net reduction to Scottish Departmental Expenditure Limit | | | | | | 332.466 |

Source: Derived from HM Treasury 2010, Statement of Funding Policy (HM Treasury 2007).

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RELATED BRIEFINGS

[UK Budget 2010](#) – 25 March 2010

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