

22 January 2014

I welcomed the opportunity to debate on 19 December the Finance Committee's report on the 2014-15 Draft Budget. Following on from the comments I offered in that debate, I now enclose the Scottish Government's written response.

I look forward to working with the Committee as we progress the Budget Bill over the coming weeks.

**JOHN SWINNEY**

The Scottish Government welcomes the Committee's report. Responses to each of the Committee's recommendations are presented below.

## **NATIONAL PERFORMANCE FRAMEWORK**

**18. The Committee very much welcomes the NPF and the emphasis on an outcomes-based approach. However, the Committee believes that the benefits of this approach are not being fully utilised. In particular, there appears to be a lack of clarity in relation to both the purpose of *Scotland Performs* and the intended audience.**

The Scottish Government welcomes the Finance Committee's endorsement of the NPF. The Government also welcomes evidence suggesting that Scotland's outcomes based approach to government and National Wellbeing is internationally recognised as world leading. The Carnegie UK Trust in its report *Shifting the Dial in Scotland*, June 2013 noted:

"We did not expect to find international innovation on our doorstep. But our work has repeatedly found that the Scottish National Performance Framework is an international leader in wellbeing measurement, a sentiment repeated by Professor Stiglitz in his address to the OECD World Forum in India, in 2012."

The purpose of the *Scotland Performs* website is to provide a continually updated, impartial and transparent stocktake of how Scotland is performing as a nation and as a society against the wide range of indicators set out in the NPF.

The Cabinet Secretary for Finance, Employment and Sustainable Growth hosts a Round Table with members from across the political parties in Scotland, key academics and Third Sector organisations. These provide a forum to share views and ideas on how the NPF and *Scotland Performs* can be further embedded and improved. The Committee's recommendations will be considered as part of the work of the Round Table.

**19. The Committee invites the Government to provide details of the exact purpose of the NPF, its intended audience and how it works in practice and recommends that this information is published on the *Scotland Performs* website.**

The NPF provides a clear, unified vision of the kind of Scotland we want to see and how our actions will improve the quality of life for the people of Scotland. It is therefore relevant to all of the people of Scotland. Progress is reported through the *Scotland Performs* website.

The NPF is a single framework to which all public services in Scotland are aligned. It provides a strategic direction for policy making in the public sector, and provides a clear direction to move to outcomes-based policy making. It provides the platform for wider engagement with the Scottish Government's delivery partners including Local Government, other public bodies, Third Sector and private sector organisations.

The Scotland Performs Round Table is considering how to raise awareness of the NPF and how to improve the website to make it more user friendly and engaging.

**20. The Committee agrees with the ICI Committee that the purpose of the NPF should include the scrutiny of Government interventions.**

The NPF sets out in the Purpose and National Outcomes the Scottish Government's key social, economic and environmental goals. The measurement set which underpins the NPF is designed to measure the progress that is being made towards these goals.

Through the Scotland Performs website one can see how these measures are performing. Parliamentary Committees are well placed to use Scotland Performs as a source to scrutinise the Government's interventions and progress towards the National Outcomes.

As part of the Draft Budget process, the Government produced performance scorecards to assist Committees in their scrutiny process. We will be seeking feedback on the use of the scorecards.

**21. The Committee asks if, and to what extent the four principles of financial scrutiny are reflected in the NPF.**

The principles are key components to the successful delivery of the Purpose and National Outcomes. They are embedded in Scottish Government processes and procedures, including the Scottish Public Finance Manual (SPFM).

## **Spending and Outcomes**

**31. The Committee asks whether in seeking to enhance the usefulness of the NPF the Government has any plans to move towards a more substantive approach to linking performance and resource similar to jurisdictions such as the State of Virginia.**

Since 2007, the NPF has provided a strategic direction for policy making in the public sector, provided a clear direction to move to outcomes-based policy making and has been fully integrated within our spending plans.

Each government portfolio is required to set out how its spending plans support the delivery of the National Outcomes and this is set out in the form of a strategic overview in each portfolio chapter in the Budget document. The Budget also gives financial effect to the layers of policy development, consultation and decision making with delivery partners about the direction of the Government's policies and programmes.

As part of the Draft Budget process, we produced performance scorecards to assist Committees in their scrutiny of the Draft Budget.

The Scottish Government considers that the links between spending and outcomes are clear. However, we will be happy to consider suggestions from committees about how the linkages could be strengthened.

**32. The Committee invites the Government as recommended by the ICI Committee to review the template for the draft budget document to improve the linkage between expenditure and the NPF.**

The Scottish Government currently has no plans to change the format of the draft budget document.

**33. The Committee invites the Government as recommended by the ICI Committee “to review the use of Logic Models in the context of the NPF” and to “publish a policy or guidance note showing when it considers such modelling would be beneficial and should be undertaken and when it is felt it would not be appropriate.”**

The Scottish Government is exploring how best to assist business areas in aligning their policies and activities with the NPF. The use of logic modelling will be considered as part of this. We will also consider whether there should be a published guidance note on the use of Logic Modelling and the NPF.

**34. The Committee also agrees with the ICI Committee that the Government should “publish a short summary” of where it currently utilises Behaviour Change techniques.**

The Scottish Government has developed its own Individual, Social and Material (ISM) approach to influencing behaviours. It is a practical tool for policy makers and practitioners which has been developed within the area of climate change. It is being used to take a fresh look at policy and delivery challenges and how the Government and others can best influence people’s behaviours to help achieve our climate change targets.

The ISM approach to influencing behaviours is applicable to areas beyond climate change and the ISM user guide (published in June 2013) included case studies from both health and transport safety to encourage wider use of the tool. <http://www.scotland.gov.uk/Resource/0042/00423436.pdf>

We published an ISM Progress Report in October 2013 which highlighted how the ISM tool is being used within the area of climate change, including sustainable transport and housing. <http://www.scotland.gov.uk/Resource/0043/00437127.pdf>

This included a case study focused on walking for short journeys instead of taking the car, which will inform the forthcoming Walking Strategy.

### **Impact on Policy**

**37. The Committee would welcome clarification in relation to how Scotland Performs will be embedded within the policy-making community across the public sector including the Scottish Government.**

The NPF is part of a transformative shift in how policy is made and is a key enabler of public service reform. By aligning the whole public sector around a common set of goals, we can deliver lasting collaboration and partnership working. Different organisations are now working towards shared goals defined in terms of benefits to citizens, rather than simply efficient service delivery. An example of this is the Strategy for Justice in Scotland,

which is an outcomes-focused plan, developed and committed to collectively by the Scottish Government, the Courts, the Prosecution Service, the Prison Service and other agencies. It involved the joint identification of the key priorities for action, based upon sound evidence, and sets out a coordinated response, which requires working across boundaries, to deliver a wide range of financial and societal benefits.

The Government accepts that there is work to be done in embedding and improving the NPF and so the Scotland Performs Round Table is exploring how the following can be improved:

- Engagement with Parliament
- Public participation and engagement
- Presentation and awareness of Scotland Performs
- Coverage of the indicator set

As a result of these discussions, the Government will gather evidence in the form of case studies to show how the NPF has become embedded in policy making and what more can be done to further embed it.

## **National Indicators**

### **45. The Committee recommends the inclusion of an indicator which measures median household disposable income.**

A subgroup of the Scotland Performs Round Table has been established to review the coverage of the indicator set, investigate possible improvements and make recommendations. The Government will ask the subgroup to consider the Committee's recommendation.

### **46. The Committee recommends greater clarity in relation to prioritisation within the NPF including details of the "hierarchy in Scotland Performs."**

The Government's vision for a successful Scotland is described and measured in five parts which support and reinforce each other:

- The Purpose sets out the direction and ambition for Scotland
- The Purpose Targets are high level targets that show progress towards the Purpose
- 5 Strategic Objectives describe where we will focus our actions
- 16 National Outcomes describe what we want to achieve and the kind of Scotland we want to see
- 50 National Indicators enable us to track progress towards the Purpose and National Outcomes

Each part of the framework is directed towards, and contributes to, a single overarching Purpose.

The Government agrees with the views expressed by Professor Joseph Stiglitz in his evidence to the Economy Energy and Tourism Committee on 27 February 2013 ) that a dashboard of indicators (as we have in the NPF), covering the different aspects of National Wellbeing, is an appropriate approach to be taking.

## **PREVENTATIVE SPENDING**

**53. The Committee invites the Government to provide an overall assessment of the progress that is being made towards a preventative approach as specified in the Written Agreement.**

The Scottish Government has already provided an update on progress in delivering a more preventative approach, with a range of information set out in the Budget document, including the annex on public service reform, and the associated performance evaluation material published alongside the Budget. We have subsequently provided a range of evidence to committees as part of the scrutiny process and further information is provided elsewhere in this response, including on progress in taking forward the three change funds and updated Single Outcome Agreements.

**54. The Committee asks if, and to what extent the four principles of financial scrutiny inform the Government's approach to preventative spending.**

As noted in response to recommendation 21, the Government confirms that the principles of affordability, prioritisation, value for money and integration between public service planning and performance and financial management apply across its activities, including the delivery of a more preventative approach. This is evidenced, for example, by the guidance we have offered to public sector partners on the importance of an outcomes focused approach to public spending and the delivery of public services.

### **Change Funds**

#### ***Reshaping Care for Older People (RCOP) Change Fund***

**58. The Committee welcomes the additional funding which has been allocated to the RCOP Change Fund but is concerned about the limited contribution which some local authorities appear to be making and asks the Government to provide details of how much new money has been provided by local authorities.**

There was no formal requirement for Local Authorities to add additional funds to their Change Fund allocations. Nevertheless, the latest self-reporting returns (October 2013) show that 14 Change Fund partnerships (made up of the Local Authority, the Health Board, the Third Sector and the Independent Sector) chose to make such an additional local allocation. In total, this amounted to an extra £11.5 million contribution added locally to the central allocation of £80 million for 2013/14. This figure does not include 'in kind' contributions such as dedicated staff time, which in most cases have been substantial. Including carry-forward from 2012/13, the total amount available to Change Fund partnerships for the Change Fund for older people's services is £119.6 million for 2013/14.

### ***Early Years (EY) Change Fund***

**64. The Committee is concerned about the limited contribution which some local authorities appear to be making towards the EY Change Fund and asks the Government to provide details of how much new money has been provided.**

and

**65. The Committee also asks the Government to provide evidence of the additional resources which the EY Change Fund has leveraged within local authorities to support early intervention.**

The Early Years Collaborative was launched in October 2012 – the world’s first multi-agency, local, quality improvement programme delivered at a national scale to give children the best start in life. This approach is ensuring Community Planning Partners can easily learn from each other and from recognised experts, leading to service improvement and supporting the shift to prevention and early intervention.

A new generation of Single Outcome Agreements has been finalised by Community Planning Partnerships, which include a focus on making a decisive shift to prevention, built on a clear and shared understanding of local needs and priorities

In June 2013, Community Planning Partnerships (CPPs) provided their annual returns detailing their Change Fund activity and spend. These returns provide us with strong evidence of a move to prevention and early intervention. The returns also indicate that significantly more is spent on the early years by Health Boards and local government than is captured by the Change Fund. The additional spend is estimated to be around 10 times the £272.5 million minimum agreed contributions invested in the Early Years Change Fund. From the 29 CPPs that provided a breakdown in figures, 12 reported local authority spending above the Change Fund guidance levels.

CPP returns do not specify what new money has been provided by local authorities. The Government has always been clear that resources from both local authorities and Health would largely be from realigned budgets. There was some variation in the returns from CPPs, which is to be expected from a first round of returns. We therefore intend to be more explicit about information sought on early years spend across services in future returns.

The Early Years Change Fund contributions from Scottish Government, local government and Health are outlined in the following table. The Scottish Government contribution includes the initial Change Fund allocation of £50 million plus £2.25 million from the Positive Futures (Early Years) core funding over the current spending review period. The contributions from Health and local government are the minimum agreed contributions, as set out in the Early Years Taskforce Shared Vision and Priorities Paper (published March 2012):

	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	Total £m
Scottish Government	11.25	15.25	17.25	8.5	<b>52.25</b>
Health	36	39	42	-	<b>117</b>
Local Government	20	35	50	-	<b>105</b>
Total					<b>274.25</b>

The £52.25 million of Scottish Government funding is new money, with the Early Years Taskforce making decisions on where this Scottish Government funding is to be allocated.

### ***Reducing Reoffending (RR) Change Fund***

**68. The Committee notes the recommendation of the Justice Committee that the Scottish Government provides funding for an additional year to allow the projects to run for the full three-year period as originally planned.**

The RRCF was established to grant funding to newly created Public Social Partnerships (PSPs) between Third and Public sector organisations which would co-design and deliver mentoring services to offenders. The RRCF was structured to run from 2012-15, with the first year funding (2012-13) primarily to support the development of the PSPs and design of services, followed by a two year delivery period (2013-15).

The RRCF's delivery grants were clearly limited to two years, with the specific expectation that the public sector members of the various PSPs (ie Community Justice Authorities, Scottish Prison Service etc) should be planning from the outset to ensure that they could provide sustainable funding for successful projects at the end of the 2 year delivery period.

As noted in paragraph 67 of the Finance Committee's report, the SG has indicated to PSP organisations that they are aware of their concerns that their projects will not be able to demonstrate effectiveness and secure sustainable funding before the end of the RRCF in March 2015. A sub-group of the Funding project in the Reducing Reoffending Programme has been established which will assist the PSP partnerships in their efforts to securing future funding.

### **Disinvestment**

**80. The Committee is concerned that there appears to be a real lack of evidence of the necessary disinvestment taking place to support the shift towards a preventative agenda. Without this disinvestment in existing services it is difficult to see where the additional resource for preventative services will come from.**

and

**81. The Committee asks whether the Government is content with the progress being made by public bodies in carrying out the necessary disinvestment to unlock resources for a preventative approach.**

and



**82. The Committee also asks the Government to provide examples of resources being unlocked for preventative measures through a disinvestment in existing services.**

### Overview

The shift to prevention is an important part of how we deliver public service reform in Scotland and the Scottish Government is working on supporting the continued shift towards a more preventative approach.

The Scottish Government does not consider disinvestment alone to be a key indicator for Prevention. Our prevention priorities are:

- for preventative action to achieve improved outcomes that tackle inequalities and reduce demand
- to identify interventions and improvement methods that work & systems to share practice
- to incentivise action or unblock barriers to change to enable locally appropriate, assets based responses

Community Planning Partnerships and Public Bodies will play a decisive role in creating this shift to prevention. New draft Single Outcome Agreements which CPPs agreed in Summer 2013 with Ministers and Council Leaders have a particular focus on prevention and reducing inequalities, especially around 6 policy priorities<sup>1</sup>, as do many of the associated development plans which set out improvement priorities for each CPP.

How resources are used to support prevention is critical, but making this happen is about much more than disinvestment. Prevention is an important part of current and future Scottish spending plans. This is reflected in how resources are directed, but especially in how we expect resources to be used.

The Scottish Government expects CPPs and community planning partners to be clear about the total collective resources available and to ensure resources are deployed towards priority outcomes identified in their SOAs. The Agreement on Joint Working on Community Planning and Resourcing, co-signed by Scottish Ministers, COSLA and the Chair of the National Community Planning Group and published alongside the draft Scottish Budget in September 2013, makes these expectations clear. CPPs understand that we expect early progress on this, and the National Community Planning Group will seek regular updates on how CPPs are responding. The Accounts Commission and Auditor General identified understanding and deployment of resources towards shared priorities as a key development challenge for CPPs in their March 2013 report *Improving Community Planning in Scotland*. We anticipate that their reports from a further five CPP audits during 2014 should provide additional insight on progress being made on this theme.

---

<sup>1</sup> (Economic recovery and growth; Employment; Early years; Safer and stronger communities, and reducing offending; Health inequalities and physical activity; Outcomes for older people)

## Sectoral progress

The **Public Bodies (Joint Working) (Scotland) Bill**, which puts in place the legislative framework to integrate health and social care, and which the Committee recently considered at Stage 1, places requirements on Health Boards and Local Authorities to integrate budgets for health and social care services for adults, and to focus strategic planning for health and social care provision on preventative and anticipatory care. This approach builds upon the work taken forward in recent years by the Scottish Government, Health Boards and Local Authorities, on the Integrated Resource Framework for health and social care, which enables public bodies to understand more clearly patterns of spend, activity and outcomes in relation to specific populations of need and care groups.

NHS Boards play a pivotal role in ensuring that CPPs are well placed to support a preventative approach and tackle inequalities, as will the integrated health and social care partnership arrangements put in place under the new legislation. The latest local delivery plan guidance for NHS Boards (published 29 November 2013) makes clear that these plans should include a focus on “locally developed improvements with a strong emphasis on changes to NHS services which reduce future demand by preventing problems arising or dealing with them early on. Targeting those communities where health is poorest is key”. We will look to NHS Boards to describe, in their local delivery plans, the progress that they are making towards establishing effective strategic planning arrangements with their Local Authority partners, as per the requirements of the Public Bodies (Joint Working) (Scotland) Bill.

NHS Boards have successfully delivered efficiency savings for the last five years on average of 3%. These resources are retained and reinvested to support national and local priorities including shifting spend to prevention.

The **Reshaping Care for Older People Change Fund partnerships**, which include Health Boards, Local Authorities and Third and Independent sector organisations, are continually improving and using local information to drive performance improvement and to inform their Joint Commissioning investment and disinvestment decisions. For example, the East Lothian Change Fund partnership placed each of its Change Fund projects on a risk and value grid. This led to substantial disinvestments and investment in a new cross sector Intermediate Care project to directly address priorities for care of older people.

Year 1 returns from Community Planning Partnerships (June 2013) on the **Early Years Change Fund** provide us with positive examples and commitments toward the preventative spend agenda.

At a local level, tests of change are helping identify the things that work in practice and to focus efforts and resources in these areas. Our understanding of what makes the greatest difference is growing and allowing for a focus on doing some things differently and ultimately stopping doing those things that are not effective. The **Early Years Collaborative** is also ensuring that Community Planning Partners can easily share and learn from each other and from recognised experts, leading to service improvement and supporting the shift to prevention and early intervention.

The Early Years Change Fund has provided us with the opportunity and a good starting point to fulfil the Scottish Government, local government and NHS Scotland’s intention to shift resources to where it makes the most difference, by supporting prevention and early

intervention. The CPP returns highlight an increased focus on prevention, with a view to stopping problems before they develop. The returns also tell us that the Early Years Change Fund has been a catalyst for change. The returns provide us with evidence on an increasing move towards prevention with 29 out of 32 returns making specific reference to prevention. For example:

- Angus' CPP have said that there is a strong commitment to invest in early intervention and early years and that a task group has been formed to identify next steps in achieving long-term objectives to improve outcomes for all children and young people. In addition, Angus' CPP have been prioritising the early years and early intervention services in their budget setting process.
- Highland's CPP return in June 2013 said that their Single Outcome Agreement emphasised the commitment of the Highland Partnership to preventative spend. Highland Council has allocated an additional recurring £2 million for early years services (£1 million in each of 2013/14 and 2014/15) and work is taking place to identify further preventative spend across the partners. A more recent update from Highland tells us discussions continue within the Community Planning Partnership, and particularly with NHS Highland, regarding possible further preventative activity to enhance early years services.

The returns also tell us that significantly more is spent on the early years by the Health and local government than is captured by the Change Fund. The additional spend is estimated to be around 10 times the £272.5 million minimum agreed contributions invested in the Early Years Change Fund. From the 29 CPPs that provided a breakdown in figures, 12 reported local authority spending above the Change Fund guidance levels. In future rounds, we intend to capture more data on an overall figure, including the breakdown in preventative spending.

**83. The Committee asks the Government whether there have been any discussions with COSLA in relation to local authorities deploying any savings to preventative services from the “significant reduction” in staff costs, identified by the LGR Committee.**

The Scottish Government and COSLA have agreed on the need for local services to deliver preventative approaches and meet the other challenges identified by the Christie Commission's report on the future delivery of public services. However it is for councils to decide for themselves how to meet these challenges and allocate their resources within their overall budgets.

**84. The Committee also asks the Government whether there have been any discussions with COSLA in relation to the impact on local government financing of UK Government changes to national insurance contributions from 2016.**

The changes are being implemented by the UK Government without prior consultation with Scottish Ministers about their impact on the Scottish budget. In an independent Scotland, such decisions on future changes to the State Pension system would be taken in Scotland, taking account of Scottish circumstances.

We are jointly taking forward with local government action to strengthen community planning as a core driver of Public Service Reform, including on prevention, as our

Statement of Ambition March 2012 makes clear. This action includes the development of new SOAs and the development and implementation of the Agreement on Joint Working on Community Planning and Resourcing.

**85. The Committee recommends that the principles of affordability, prioritisation and value for money are a useful framework for driving forward the essential disinvestment which is necessary to move towards a preventative approach.**

Please see responses to recommendations 21 and 54

**88. The Committee welcomes the additional funding of £120m for the RCOP Change Fund for 2015-16 but notes that only £8.5m appears to have been allocated to the EY Change Fund. The Committee asks whether the Government expects local authorities and health boards to contribute additional funding to the EY Change Fund in 2015-16 and beyond.**

The Early Years Change Fund was always intended to have a limited lifespan, therefore local authorities and health boards will not be asked to contribute additional funding to it beyond the agreed period. The Scottish Government has committed £8.5m to the Early Years Change Fund for 2015-16 to support the transition away from the change fund model. The Early Years Collaborative will continue to embed prevention and improvement at a local level.

### **System and Cultural Change**

**96. The Committee welcomes the progress which NHS Highland and Highland Council are making especially in relation to the integration of services and invites the Government to respond to the view of Highland Council that the shift towards preventative spending will require total system change.**

The Government recognises the ambitious programme of integration and innovation being taken forward by NHS Highland and Highland Council, which demonstrates the strong local leadership that evidence shows is key to the effective integration of services.

In general terms, the Government continues to discourage approaches which focus on full structural reform at the expense of thinking about the best means of securing improved outcomes for people and communities within available resources.

This is why the Public Bodies (Joint Working) (Scotland) Bill puts in place national outcomes for health and wellbeing and requirements for integrated governance arrangements and integrated budgets, while leaving local delivery arrangements to local agreement.

**97. The Committee notes, however, that progress would appear to be much slower in other areas and would welcome the views of the Government on the main challenges and barriers preventing cultural and structural change and what actions it is taking to address these.**

Increasing the shift to prevention has a strong leadership mandate across sectors and across Scotland. The Scottish Government is clear that the CPPs are the key drivers of Public Service Reform and Prevention and early progress is needed. The Agreement on Joint Working on Community Planning and Resourcing makes these expectations clear.

In addition, the Government is consulting as part of the Community Empowerment Bill on new statutory duties on individual partners to work together to improve outcomes for local communities through participation in CPPs and the provision of resources to deliver SOAs.

### **Demographic Change**

**100. The Committee invites the Government to respond to the view of the LGR Committee that “we remain to be convinced the delivery of the preventative spending agenda is keeping pace with the ever-growing demographic pressure local authorities are facing.”**

Scotland’s population has changed radically over recent years, particularly in terms of the complexities of their needs. The population is getting older and many people are living for longer with multiple complex support needs. In response, we are changing the way we work, including through our commitment to preventative care. The Public Bodies (Joint Working) (Scotland) Bill plays a key role in this respect, by establishing the legislative framework that can help to ensure that partners from the public, third and independent sector work together more effectively, with users and carers, to plan for and provide services that take account of people’s broader circumstances. Specifically, the Bill places requirements on Health Boards and Local Authorities to develop joint strategic plans that focus on preventative and anticipatory care and make best use of total available resources. Local partners will use their experience of using the Change Fund for Older People’s Services, and the local intelligence they can draw from the Integrated Resource Framework, to enable them to plan effectively together.

In addition, the Government is embedding the commitment for NHS Boards and public bodies to engage with Community Planning Partnerships. This will focus on “locally developed improvement with a strong emphasis on changes to NHS services which reduce future demand by preventing problems arising or dealing with them early on.”<sup>2</sup>

---

<sup>2</sup>NHS Board, Local delivery plan guidance (published 29 November)

## Monitoring and Evaluation

**105. The Committee invites the Government to update it on progress in “establishing fit-for-purpose monitoring and evaluative processes” as stated in the response to last year’s draft budget report.**

The Government remains committed to establishing a strong evaluative base to help monitor and understand the range of shifts that are required to deliver the transformation envisioned for public services in Scotland. A number of key initiatives started in 2013 that promise to support this ambition, supplementing the evaluative work already underway. As this work develops, the Scottish Government is assessing what we can learn from other administrations, jurisdictions and nations, as well as evaluating our own interventions.

The Scottish Government has commissioned, in collaboration with the Economic and Social Research Council, a ‘What Works Scotland’ research centre, which will aim to deepen the impact of the emergent Scottish approach to public service delivery and reform, by evaluating evidence in delivery of that approach, in order to support the Purpose and National Outcomes. This involves investment of £3.75 million over three years in both academic and practitioner-based knowledge on the component parts of transforming public services in Scotland.

One of the main enablers of Prevention are the Community Planning Partnerships (CPPs) and we have been working with the Accounts Commission and the Auditor General to evaluate progress made and opportunities for development. The first 3 CPP audit reports were published in March 2013 and a further 5 audits are being conducted in the coming year.

In the summer of 2013 Ministers and Council Leaders signed off 32 new Single Outcome Agreements through a cross-sector Quality Assurance process. This involved panels of senior leaders from across the public sector (24 senior leaders from 17 organisations - from Scottish Government, local government, the NHS and elsewhere) reviewing the SOAs and their plans for Prevention. In June 2013, Community Planning Partnerships (CPPs) provided their annual returns detailing their Change Fund activity and spend. These returns provide us with strong evidence of a move to prevention and early intervention. In addition the National Advisory Group on Prevention and the National Community Planning Group will take a close interest in progress that CPPs make, including on turning commitment to prevention into genuine action.

The individual Change Funds have been progressing their monitoring and evaluation processes:

### Reshaping Care for Older People Change Fund

The RCOP programme is a 10-year whole system transformation programme that seeks not only to shift the location of care (from institution to community) but also to transform the culture and philosophy of care from reactive services provided to people towards preventative, anticipatory and coordinated care and support at home delivered with people. The focus of monitoring and evaluation of the fund has predominantly been through Partnerships’ local monitoring and evaluation frameworks. Partnerships have developed systems for assessing progress, using the information to drive performance

improvement and to inform their Joint Commissioning investment and disinvestment decisions. These frameworks typically allow partnerships to report regularly on a range of RCOP indicators, both national ones as well as project specific indicators relating to their change fund workstreams locally. As well as local monitoring frameworks, there is a range of evaluative work around different aspects of the RCOP programme, ranging from local evaluation of change fund sponsored initiatives (e.g. interventions to reduce unplanned hospital admissions) to nationally sponsored evaluative work such as on Smartcare telehealth/care for older people and assessing the contribution of the third sector to RCOP outcomes.

The Joint Improvement Team recently invited all partnerships to submit a summary of local progress. The main purpose was to share examples of how local partnerships have deployed their Change Fund to make a difference to the lives of older people and their carers across Scotland. A report on the analysis of these submissions has recently been published.

We will continue to monitor progress throughout the lifespan (till 2014-15) of the RCOP Change Fund through partnership submission of progress reports and joint strategic commissioning plans detailing investment plans, progress in shifting spend and impact of interventions.

#### The Reducing Reoffending Change Fund

The Reducing Reoffending Change Fund is delivering evidence-based mentoring partnerships to reduce re-offending among prolific and female offenders. The fund and what the partnerships have delivered is being independently evaluated using a logic-model based approach. Substantial, independent evaluation has been commissioned on the value of the mentoring services, and the success of the Public Social Partnership model itself, during the 2013-15 activity period.

#### Early Years Change Fund

In January 2013, the joint chairs of the Early Years Taskforce wrote to key local authority, NHS and CPP contacts to:

- provide guidance on the Early Years Change Fund;
- stress the importance of the Early Years Change Fund; and
- ask them to provide a return by 30 June 2013 on the local operation of the fund to date.

The purpose of this return was to assess how successful the fund has been so far and if there was any scope for improvement. The return was prepared and agreed by the NHS, local authority and other relevant sectors with an interest. The return covered:

- how the early years agenda has been led and championed in the CPP;
- how local priorities for improving outcomes for children and families in early years are assessed;
- what the current and projected resource allocation for early years activity is for 2012-15;

- whether there any key successes or learning points with reference to the early years agenda that contacts would like to share;
- a request for CPPs to describe their partnership governance framework and financial framework to enable partnership decisions to be made.

The Early Years Taskforce delegated responsibility for analysing and collecting the CPP returns to the Supporting Local Delivery Subgroup. A report on the first round of returns and the individual returns from CPPs was published on the Scottish Government website in December 2013. All 32 CPPs provided an Early Years Change Fund Return.

The key findings of this evaluation were that there was clear evidence of a strategic and structured approach to the early years, underpinned by integrated working and strong evidence of a move to prevention and early intervention. There were a number of lessons learned from this exercise, including the need to do more to capture the data on preventative spend and the wider spend on early years, to give more accuracy in terms of the overall spend in Scotland

### ***EY Change Fund***

**107. The Committee asks the Government what progress has been made in developing a “monitoring and evaluation framework” for the EY Change Fund as stated in January 2012 and when will an evaluation report will be published.**

Please refer to the Government’s response to recommendation 105.

### ***RCOP Change Fund***

**115. The Committee invites the Government to provide outturn figures for the RCOP Change Fund allocation for 2011-12 in comparison with the change plans for 2011-12 in Table 1 above.**

The following table was published as part of the mid-year update report for 2013/14. Change Fund partnerships were asked to disaggregate their investments against the Reshaping Care Pathway from their year-end spend in 2011/12 and 2012/13 (which is a more accurate reflection than previously published), along with their projected year-end spend for 2013/14. This consistent approach to reporting Change Fund spend allows the Joint Improvement Team, on behalf of the national partners, to both track and challenge a balanced investment across the whole pathway. The table shows the self-reported Change Fund investments against the four pillars of the Reshaping Care Pathway and the associated set of enablers.



**Table:** Change Fund Allocation: Reshaping Care Pathway

<b>SCOTLAND</b>	Preventative and Anticipatory Care	Proactive Care and Support at Home	Effective Care at Times of Transition	Hospitals and Long Stay Care Homes	Enablers
2011/2012 Actual Year-End Spend	21%	33%	19%	18%	9%
2012/2013 Actual Year-End Spend	26%	28%	21%	13%	10%
<b>2013/14 Projected Year-End Spend</b>	<b>26%</b>	<b>26%</b>	<b>23%</b>	<b>12%</b>	<b>10%</b>

**NB:** Due to rounding, figures do not necessarily add up to 100%

**116. The Committee will invite the Joint Improvement Team to provide an update on progress in implementing the RCOP Change Fund and the Early Years Taskforce to provide an update on progress in implementing the EY Change Fund at a future meeting.**

The Joint Improvement Team acknowledges the Finance Committee's request for a further update regarding implementation of the Change Fund for older people's services. We attach a link to the JIT's recently published progress report: [www.jitscotland.org.uk](http://www.jitscotland.org.uk).

**119. The Committee welcomes the level of analysis and evaluation of both the RCOP Change Fund and the RR Change Fund but is concerned that a similar level of independent evaluation does not appear to have been carried out in relation to the EY Change Fund and asks the Government to explain why.**

The Scottish Government has not committed to independent analysis of the Change Fund as this was not considered a necessary requirement. Information has been gathered from CPPs and a report was published on the Scottish Government website in December 2013. The individual returns from CPPs were also published. The key findings of this evaluation were that there was clear evidence of a strategic and structured approach to the early years, underpinned by integrated working and strong evidence of a move to prevention and early intervention, with the Change Fund supporting this.

#### **McClelland Review of ICT Infrastructure**

**123. The Committee asks what impact the projected savings from the McClelland Review had on the budget allocations for 2014-15.**

The Scottish Government intends to publish shortly the findings of phase 1 stage benefits realisation and will ensure the Committee is informed of this.

## SUSTAINABLE ECONOMIC GROWTH

### Capital Investment

**132. The Committee asks whether maintenance spend continues to be broadly flat in cash terms.**

In general terms, the Government expects maintenance spend to remain broadly flat in cash terms in 2014-15 for the main budget lines that include significant maintenance spend, ensuring essential maintenance can continue. The exact measurement of maintenance relative to other capital spend is not always possible, as the two are often combined.

**133. The Committee also asks what assumptions have been made for backlog maintenance and what the impact will be on future capital investment.**

The Government is prioritising significant investment in the health and education estates, along with ongoing investment in our road and rail networks. Improvements in these assets are all contributing to a reduction in key areas where backlog maintenance has been identified. Within constrained budgets, there will continue to be a requirement to balance creation of new assets with the refurbishment and maintenance of existing assets, and we would expect the maintenance of fit for purpose assets to sustain public services to remain a key strategic priority for investment.

### Capital Receipts

**136. The Committee asks that the Government provides a breakdown of the latest available figures for the disposal of the assets in next year's Draft Budget including whether other options were considered for the utilisation of these assets.**

The current estimated breakdown of capital receipts for 2014-15 is as follows:

Budget area	Estimated capital receipts for 2014-15 (£m)
Health	31.6
Enterprise bodies	42.9
Housing	5.0
TOTAL	79.5

A range of options would generally be considered for any change of use of assets. Best practice would suggest that areas should keep under constant review their holdings of property, plant and equipment with a view to disposing of any surplus assets as quickly as possible.

### *Scottish Enterprise*

**139. The Committee asks the Government why there would appear to be two budget lines for property sales in the level 3 figures for the Scottish Enterprise (SE) budget.**

As part of its evidence to the EET Committee on 30 September, SE provided information on its current draft income projections in Table 1: 2013/14 Published Plan v 2014/15

Current Income Projections. SE has indicated that the line in Table 1, 'Additional Income From Further Asset Realisation', of £26.3m relates to forward financial planning to identify opportunities to generate additional income in 2014-15 from its property and investment portfolios, which had been valued at £300m in its Annual Accounts.

SE is currently making good progress to assess how it can release further value from these portfolios. However, it is not yet in a position to confirm either the overall amount that will be secured or the relative split between property disposals and investment exits. Once the overall additional amount that can be secured from its property and investment proposals has been determined, this information will be used to inform the development and prioritisation of its detailed Business Plan for 2014-15 and the income will be attributed to the appropriate category within the income analysis included in its Business Plan 2014-17. Once the process is complete any difference between estimated income and estimated expenditure will require SE's expenditure plans to be adjusted accordingly to allow for a balanced budget position.

**140. The Committee notes the view of the EET Committee that there would appear to be a projected shortfall of £26.3m in the Scottish Enterprise budget and invites the Government to explain how this has arisen.**

SE's evidence to the EET Committee included a draft budget for 2014-15 based on the figures included in its published Business Plan for 2013-16. In SE's view, it was unlikely that there would be any significant shift in its overall strategic priorities as set out in its 2013-16 Business Plan. Instead, it was likely that any subsequent prioritisation would flow from the affordability of its spending plans relative to the outcome of the Spending Round and that these decisions would only be taken after the SE Board had met in November. The SE submission to the EET Committee was prepared on this basis.

The Spending Round confirmed SE's Grant-in-Aid budget would be £220.1m (excluding non-cash) and that SE's expected contribution to the Strategic Forum efficiency savings would increase by £6.5m to £17.3m in 2014-15. In addition, SE had already anticipated a year-on-year reduction in the level of income generated from property disposals, reflecting general market conditions and the delay to a one-off disposal of c£11m that had been planned for 2013-14. There were some additional relatively minor movements in other income sources. The combined impact of these movements in SE's income position resulted in a variance between its income and expenditure plan for 2014-15.

SE is currently undertaking forward financial planning to identify opportunities to generate efficiency savings and additional income in 2014-15 from its property and investment portfolios, which have been valued at £300m in its Annual Accounts.

### **Non-Profit Distributing Model**

**146. While the Committee agrees that the SFT should be ambitious, this does not wholly explain the considerable overestimation of the delivery of NPD projects in specific years and ask that the Government reviews the process for formulating these estimates.**

The estimated cost of investments is refined in the process of scoping the project and developing the business case. One option would be to not provide any early indication of

the likely range of cost estimates at the preparation or strategic business case stage in future, waiting until a much later stage in the process, when the timing and scope are clearer. On balance, the Government has operated on the basis that it would be more useful to provide the Parliament and the construction industry with indications at an earlier stage.

### **Resource to Capital – overall**

**157. The Committee recommends that all future budget revisions provide the latest available figures in relation to the transfer of funding from resource to capital.**

The Government's intention is to provide updates at three points during the year. Planned resource to capital transfers are identified at the time of the Draft Budget, with an update provided at the Spring Budget Revision. The Government will report the final position to the Committee following Provisional Outturn in June.

**158. The Committee asks that the Government provides a full list of the resource budgets which were reduced in 2012-13 to fund the transfer to capital.**

Detail on the budget changes associated with resource to capital switches for 2012-13 was provided in the Cabinet Secretary for Finance, Employment and Sustainable Growth's letter to the Committee of 3 July 2013.

**159. The Committee asks whether the plans for 2013-14 remain as set out in October 2012.**

The plans are kept under review during the year and an update for 2013-14 will be provided as part of the Spring Budget Revision. In line with 2012-13, the Government will report the final position to the Committee following Provisional Outturn in June.

### **Resource to Capital – Health**

**165. The Committee asks the Government to confirm with the BMA whether the figures provided in Table 8 above include the transfers from resource to capital.**

We have confirmed with the BMA that the figures provided in Table 8 do not include transfers from resource to capital.

**166. The Committee also asks the Government to explain the rationale for showing the £120m in the resource budget for 2014-15 when health boards were notified in February 2012 that the indicative capital allocations for 2014-15 already included the £120m.**

The transfer from the resource budget to support the capital programme is non-recurrent and as such it is appropriate that this budget remains classified as resource within the Draft Budget publication. NHS Boards were provided with indicative capital allocations, including expected resource to capital transfers, in February 2012 to support the development and agreement of their business and financial plans for 2014-15.

## **Resource to Capital – Enterprise Bodies**

**169. The Committee asks the Government to explain the difference between the £41.8m of resource to capital in the draft budget and the subsequent figure of £18.1m.**

The Draft Budget reflects a rebalancing between the enterprise bodies' resource and capital budgets of £41.8 million, which they are supplementing with a further transfer from resource to capital of £18.1 million. The final transfer figure will be confirmed in-year during 2014-15, in the light of the level of capital receipts available and the balance of resource and capital required for particular projects.

## **Resource to Capital – Justice**

**172. The Committee asks the Government to explain the rationale for showing the £22.3m in the resource budget for 2014-15 when it appeared as capital in 2013-14.**

Operationally there is no difference to the Scottish Fire and Rescue Service, as they have the same funding to spend on capital in 2014-15 as in 2013-14.

## **Borrowing**

**177. The Committee asks whether there has been any discussions with the UK Treasury on the repayment period and terms for any borrowing and asks that it is kept informed of the outcome of any future discussions.**

The Scottish Government would expect to agree terms with HM Treasury at least 6 months ahead of the financial year in which the borrowing will be drawn down (i.e. by October 2014 for the 2015-16 financial year). Relevant discussions will therefore be held this year.

**178. The Committee asks why the Government would prefer to repay the loan over 25 years at a total repayment cost of £525m rather than over 10 years at a total repayment cost of £380m.**

The choice that will be made around the length of period for the borrowing will be linked to both the asset life of the investment being made and the affordability of the repayments. The 5% interest rate included in the monitoring of long term commitments relates to a prudent potential interest rate if borrowing over 25 years, and was also used for illustration in the PQ answer referred to in the Committee's report. However, we would expect the actual interest rate would vary if a different repayment period was chosen. Current National Loans Fund interest rates for a 25 year loan are below 5%.

## **Non-Domestic Rates Income (NDRI)**

**184. The Committee notes that the mid-year estimate for the PHS for 2012-13 is £25.9m and asks how this money has contributed to the decisive shift to preventative spending.**

The estimated income raised by the Public Health supplement contributes to the overall level of resource available to the Scottish Government to support the shift, announced as part of Spending Review 2011, to preventative spend measures to be taken forward by local authorities and their partners in the NHS and Scottish Government.

## **Employability**

**197. The Committee notes the concerns of the EC Committee that the number of NEETs in Scotland increased last year.**

The Scottish Government is also concerned about the increase in the estimate of 16-19 year olds in Scotland who are NEET. Our aspiration is to have every 16-19 year old in employment, education or training and the Opportunities for All commitment represents our approach to achieving this.

The circumstances through which young people are recorded as being NEET are varied and complex. The NEET estimate, while providing an essential indicator, does not of itself provide the detailed picture required to help refine our services and provision.

We are working to embed a national approach to sharing information to identify which individuals are NEET and we are exploring in more detail the characteristics of the NEET group.

Within the Post-16 Education (Scotland) Act 2013, we have introduced information sharing duties that will improve partners' ability to identify which individuals are in need of support. By doing this we can take a more proactive approach to meeting the aims of Opportunities for All. These duties will commence in April 2014.

The Scottish Government has recently awarded a contract to the University of St Andrew to systematically investigate the geographies, risk factors and consequences of NEET young people over the past 2 decades.

These developments will help ensure resources are focussed on those young people who need it most and in doing so reduce the number of young people who become NEET.

**198. The Committee notes the concerns of the EET Committee and the EO Committee regarding equal access to the MA programme and invites the Government to respond to these concerns.**

Occupational segregation is a challenge for Scottish society as a whole and is not specific to the Modern Apprenticeship programme. However, the Scottish Government's acknowledges that more needs to be done to ensure young people understand the nature and opportunities available across the labour market, and that employers recognise the economic and social value of a balanced workforce.

As noted in the Government's response to the Equal Opportunities Committee, this requires a cross-Government approach, which we will look at through our Cross-Directorate Occupational Segregation Working Group. We also noted that we agree with the aspirations of the interim report from the Commission for Developing Scotland's Young Workforce and welcome the commitment from this report that the Committee will seek to make meaningful recommendations on a number of equalities issues in its final report.

A key element of the Modern Apprenticeship programme in Scotland is that all apprentices must be employed. As a result, this limits the influence that the Government can have as recruitment decisions rest with employers, providing they act within the appropriate laws, such as the Equality Act 2010 and the Employment Relations Act 1999.

While it should be noted that participation in the Modern Apprenticeship (MA) programme reflects that in the wider workforce generally, the Government recognises the need to seek to achieve improved equity across the programme. This work is already part of Skills Development Scotland's Equality and Mainstreaming Report and we recently agreed with the Equal Opportunities Committee's recommendation to launch an awareness campaign to better promote inclusion throughout all levels of the programme. Scottish Government officials discussed this with members of the Modern Apprenticeship Group (MAG) on 21 November and we will continue to work with them and SDS to take this forward, including through a specific focus on under-represented groups during Scottish Apprenticeship Week 2014.

Part of this work requires us to challenge employers on their own perceptions of what it means to be a member of an under-represented group working in their industries. Scottish Ministers are strongly encouraging employers to consider all young people regardless of disability, ethnicity, gender, or other factors, when recruiting and offering MAs and we are reinforcing this message through the Make Young People Your Business Campaign.

The Committee may be aware of the work of the Commission on Development Scotland's Young Workforce. The recent interim report makes a number of recommendations relating to Modern Apprenticeships, and we are currently considering these recommendations, with the final report due in the new year. An important stage in the second half of the Wood Commission will be a focus on equality issues, looking to make recommendations to improve employment outcomes in relation to gender, disability and ethnicity.

We will use the findings from this work to develop a way forward for the MA programme which will better meet our aims and ambitions for Scotland, taking account of the need to take further action to address under-represented groups within the programme. This will include exploring how we could use positive action to encourage employers to tackle occupational segregation and under-representation. However, current legislation dictates that positive action does not mean positive discrimination and recruitment must still be based on merit and exclude quotas.

#### Small Business access to MAs

In response to the Committee's concerns over the take up of MAs by small businesses (with a particular reference to Angus), it is recognised that small businesses don't always

have the same capacity to offer opportunities to young people in the same way as larger businesses do.

The Government is developing pilots to offer shared apprenticeships to make it easier for small businesses to take on an apprentice and also allow small businesses to share an apprentice, enabling more to offer apprenticeship opportunities to young Scots.

In addition, we are also making it easier for small businesses to take on a young person, including to undertake a Modern Apprenticeship, through the targeted employer recruitment incentive and the Youth Employment Scotland Fund.

**199. The Committee asks if, and how, the four principles of financial scrutiny inform the Government's approach to improving employability especially given the potential £1 billion annual cost of NEETs in Scotland.**

As noted elsewhere in this response, the fundamental principles of financial scrutiny are embedded in Scottish Government processes and procedures

A large proportion of employability and skills provision is funded by Scottish Government via the Scottish Funding Council (SFC) and Skills Development Scotland (SDS). All public bodies, including SDS and the SFC, are subject to the same requirements of the SPFM, and the specific financial controls set out in their individual Framework Documents. Those requirements provide the basis for the financial reporting and monitoring processes which ensure oversight of the management and use of any money public bodies receive from the Scottish Government, in order to support Ministers. Through these and other processes, the effectiveness of expenditure on employability programmes funded via public bodies is reviewed.

In addition, various employability programmes are grant funded directly via Employability and Skills Division level 4 budgets. All such grant funding must adhere to Scottish Government Finance processes and procedures as set out in the SPFM. The Grant checklist within our guidance ensures that all grant funding, allocated to external delivery partners, is based on the 4 fundamental principles.

By way of example, over £5m has been provided in 2013-14 for local authorities to co-ordinate local delivery of Opportunities for All (building on previous 16+ Learning Choices and Activity Agreement funding). Grants are paid under the Educational Development Research and Services (Scotland) Grant Regulations 1999, Section 2, and recipients are required to provide a quarterly profile of expenditure of the grant before commencement of the projects. Grant is then payable quarterly on receipt of grant claims but only when accompanied by a progress report, giving evidence on the development and delivery of the project, including delivery of agreed outcomes.



## **EQUALITIES**

### **Welfare Reform**

**216. The Committee welcomes the additional money to alleviate the impact of the welfare reforms but believes that it is important that the Government sets out the funding arrangements as part of the draft budget process.**

In the Draft Budget, the Scottish Government provided a breakdown of welfare mitigation spending which amounts to £68 million in each of the next two years, including the Scottish Welfare Fund of £33 million and Council Tax Benefit successor arrangements of £23 million. We also set out the funding we are providing for organisations who provide advice and support to those affected by welfare reforms. This includes £2.5 million across 2013-14 and 2014-15 for Citizens Advice Scotland and £5.1 million for the new Making Advice Work grant funding programme. In addition, we will provide £20 million in 2013-14 to provide help for those affected by the 'bedroom tax'. Since the publication of the Draft Budget we have announced that we will also provide up to £20 million again in 2014-15. This means that our current and planned spending will invest at least £244 million over the period 2013-14 to 2015-16 to limit the damage of the UK Government's welfare policies on Scotland.

**217. The Committee would welcome a short summary of the financial impacts which the welfare reforms are having on the Scottish budget.**

The Scottish Government has outlined in the Draft Budget that our analysis shows that the UK Government's reforms could reduce benefit expenditure in Scotland by over £4.5 billion by 2015. We continue to develop our analysis of the reforms and the impact on people and services in Scotland and will continue to report on the impacts, including where possible the financial impacts, within our Annual Report to the Scottish Parliament.

### **Fuel Poverty**

**220. The Committee asks the Government to provide an update on the progress in meeting the statutory requirement to eradicate fuel poverty as far as is reasonably practicable by 2016 including details of how this is reflected in the NPF.**

The latest Scottish House Condition Survey highlights that in mid-2012, 27.1 % of Scottish Households were fuel poor. This represents a drop of 3.4 per cent compared to October 2011. Improved energy efficiency contributed to two-thirds of the reported decline. The Scottish Government will spend nearly a quarter of a billion pounds over the period 2013/14 to 2015/16 on further initiatives. This increase in funding is a reflection of the importance the Government places on its target to eradicate Fuel Poverty, as far as is reasonably practicable, by 2016.

Our funding programmes are designed specifically to lever in additional investment from major energy companies to tackle fuel poverty, reduce carbon emissions and support jobs. However, we believe that we need the full powers of independence to tackle all the causes of fuel poverty. If elected in an independent Scotland, the Government has indicated that it would move the costs that are associated with the energy companies obligation and the warm home discount from levies on consumer bills to central resources. That would cut

energy bills by roughly £70 a year and would allow for a new means of funding and delivering energy efficiency improvements to Scottish homes that would be fairer and better suited to Scottish circumstances and needs.

**221. The Committee also requests the agreed update on the detailed level of funding being provided by the energy companies and supports the recommendation of the EET Committee that future draft budget documents include this information alongside the climate change level 4 figures.**

The Scottish Government has committed to provide investment of £200m per annum to improve the energy efficiency of housing, tackle fuel poverty and reduce emissions, in line with the recommendations of the Energy, Enterprise and Tourism Committee. This is currently planned to be met through the Home Energy Efficiency Programmes for Scotland (HEEPS), which in 2013-14 combines £74m Scottish Government funding with an estimated £120m energy company funding through the Energy Company Obligation (ECO). Once final spend for the first year is known (after September 2014), and taking account of the UK Government's recently announced plans following their review of social and environmental programmes, we will provide the Committee with a detailed funding breakdown. On the 5<sup>th</sup> December, the UK Government announced substantial changes to ECO. We are currently working to clarify the implications of the proposed changes on Scottish Government programmes to ensure that the impact on Scottish households is minimised.

## **CLIMATE CHANGE TARGETS**

**229. The Committee would welcome further details on the acknowledgement by the Minister for Environment and Climate Change that a “renewed effort” is required to meet the statutory climate changes targets.**

The slow progress of EU and wider international negotiations on climate change is disappointing. The Scottish Government will continue to work with partners to press the case for greater and faster action. Such external factors impact on Scotland whether we like it or not. Our ambition is undiminished and we are determined to achieve our climate change goals in a balanced and cost-effective way which, fundamentally, must be fair for the people of Scotland.

**230. The Committee supports the view of the RACCE Committee that “funding information for climate change mitigation measures should be published alongside publication of the draft budget.”**

To help Parliamentary committees' scrutiny of the draft Budget for 2014-15, the Government published in October 2013 a summary of the principal lines within the Scottish Government's budget and spending plans which support the delivery of measures to reduce greenhouse gas emissions.

<http://www.scotland.gov.uk/Topics/Environment/climatechange/draftbudget2014-15>

## **BUDGET INFORMATION**

**234. The Committee reiterates its recommendation from its report on Draft Budget 2013-14 that future draft budgets present figures for the preceding year that include any in-year changes.**

The Scottish Government confirms that from Draft Budget 2015-16, the prior year comparable will be on the basis of the published Draft Budget figure, updated to reflect any Budget Bill changes and any subsequent in-year announcements to the Parliament that are scheduled to be formalised and approved as part of the in-year budget revision process.

### **European Funding**

**238. The Committee recommends that there is greater transparency in the draft budget in relation to European funding.**

The funds allocated to EU programmes, whether in Structural Funds or CAP are allocated on the basis of expected expenditure across individual programmes. Pillar 1 funds, which form the overwhelming majority of all CAP expenditure, are allocated on a pre-determined entitlement basis, the details of which are well publicised. Expenditure on other CAP programmes (in particular the Scottish Rural Development Programme) and Structural Funds programmes is eventually represented by the commitments that are made during the course of the year. As these programmes are demand-led and expenditure is therefore largely a consequence of decisions made during the budget year, it is not possible to fully articulate the detail of how that expenditure will eventually manifest itself. Programme priorities are published separately by the Scottish Government, in addition to progress reports (e.g. Annual Implementation Reports on Structural Funds).

### **Guarantees**

**240. The Committee recommends that the Government provides clarity on the extent of guarantees provided to public bodies and advises the Committee on what consideration is given to these potential liabilities during the budget setting process.**

There is a Parliamentary process in place, in accordance with the Written Agreement with the Finance Committee, and Scottish Ministers are required to present any non-statutory guarantees or indemnities in excess of £1 million to the Committee. The Finance Committee considers proposals and can take evidence from the appropriate Minister.

The Scottish Government, in preparing its annual accounts in accordance with the Government Financial Reporting Manual, provides a range of disclosures in respect of guarantees, indemnities and contingent liabilities. These disclosures, supplemented by in-year monitoring process, allows the Scottish Government to assess risk and whether there is the likelihood of any contingent liabilities scoring against the budget.