Dear Des

BUDGET (SCOTLAND) ACT 2005 AMENDMENT (No2) ORDER 2006

1. At the Finance Committee meeting on 21 February 2006, I undertook to provide you with further information in writing on a number of points. I will deal with these in the order they were raised.

Napier Related Costs & Number of Cases

2. The Committee asked for further information on the costs and numbers of cases processed in relation to the Napier judgement.

3. In accordance with accounting rules, the Scottish Prison Service (SPS) is required to provide for the possibility of future expenditure (e.g. compensation claims) based on events up to the end of the relevant accounting period.

4. As disclosed in the SPS Annual Report and Accounts 2004-05, following the court’s judgement in the Napier case and taking account of legal advice, SPS set aside a provision of £44 million and noted a contingent liability of £24 million in relation to prison conditions that existed to 31 March 2005. In accordance with accounting practice, SPS is required to review the position in respect of the provisions and contingent liabilities as at 31 March 2006 for recording in its 2005-06 Annual Accounts.

5. SPS has estimated that £10.2 million will be required in the Spring Budget Revision in order to cover estimated legal and compensation costs associated with legal challenges by prisoners. The actual position as at 31 March 2006 will be determined by SPS and reported in its audited annual accounts for 2005-06 which will be published in summer 2006. This estimate takes account of the
ending of slopping-out at HMP Barlinnie, HMP Edinburgh and HMP Perth and the elimination of shared occupation of slopping-out accommodation.

6. As at 31 March 2005, some 300 Sheriff Court cases and 100 Court of Session cases had been raised. As at 24 February 2006, the figures were 950 and 170 respectively. To date, SPS has spent around £2 million defending legal challenges to prison conditions and around £4k in compensation, excluding interest, to prisoners. Actual expenditure on defending legal challenges is demand led and will be determined by the volume of actions raised. Actual expenditure on compensation to prisoners will be determined by the courts. Future expenditure relating to past events requires to be funded from the provisions made by SPS in its annual accounts.

Scottish Safety Cameras

7. The Committee asked for further clarification on the amendment to the Scottish Safety Cameras budget. The increase of £7 million in the baseline for Scottish Safety Cameras is offset by a change of exactly the same amount in retained income (which is noted three lines below on page 68). That is because the Scottish Safety Camera Programme is completely self financing. This sum represents the amount in fines for the current financial year generated by the Safety Camera Scheme. This is known as hypothecated funding whereby in an agreement with HM Treasury the Executive is allowed to retain the income from Fixed Penalty Notices to be reinvested in speed limit and red light enforcement, instead of HM Treasury retaining such receipts.

8. The two main objectives of the Safety Camera Programme are to reduce the number of people killed or injured on Scottish roads by encouraging lower speeds at prominent accident locations and to change long term driver behaviour in relation to speeding and red light running.

Modernising Government (MGF) & Efficient Government (EGF) Funds

9. Mr McAveety asked whether two adjustments to the Efficient and Modernising Government Funds in relation to Glasgow City Council, reflected a lack of requirement for these resources. The transfers from the Efficient and Modernising Government Funding baselines actually reflect take up of funding, rather than non take up of funding.

10. The agreed payment mechanism for Efficient and Modernising Government Funding allocations to local authorities is via Revenue Support Grant. In order for payments to be made to local authorities, the provision must be transferred from each fund to Revenue Support Grant and the transfer information be reflected in the budget document. This adjustment will also be included as a re-determination of Revenue Support Grant funding to councils in the Local Government Finance (Scotland) Order.

11. £13.759 million was transferred from the Modernising Government Fund to Revenue Support Grant for allocation to all 32 local authorities. The transfer information in the Spring Budget Revision document incorrectly notes that this funding was only for Glasgow City Council (page 96). However, as noted on page 95 of the document, this funding was in fact the total amount payable to all 32 local authorities, not a single payment to Glasgow City Council.

12. In addition, there was a transfer of £2.1 million from the Efficient Government Fund to Revenue Support Grant for Glasgow City Council (also noted on page 95) in respect of a successful bid to the Efficient Government Fund.
Royal Botanic Garden

13. Robin Harper asked if there was an explanation for the estimating reduction in the budget for the Royal Botanic Garden, Edinburgh. The original 2005-06 Budget provision for the Royal Botanic Garden, Edinburgh was £9.7million. This was increased by £1.4million to £11.1million in the Autumn Revised Budget to cover additional capital spending. Slippage in that spending has resulted in the proposed Spring Budget reduction of £600k.

Northern Isles Ferries & CalMac Piers and Harbours

14. Mr Mather raised three points that I indicated that I would provide a response to, namely whether subsidy costs for the Northern Isles ferry contract will now cost £26million a year; how the 2005-06 savings on CalMac’s piers and harbours grants are accounted for; and as a separate issue, whether action by Argyll & Bute Council to reduce discounting of its harbour charges to CalMac will result in higher ferry fares from 2006.

15. On the first point, future subsidy requirements for the Northern Isles ferry service will depend on the outcome of the tendering exercise that is still underway, so the information requested is unfortunately not yet available.

16. On the second point, the Transport Department have simply transferred resources in-year from savings on CalMac’s piers and harbours projects that arose due to planning and other delays, to the Northern Isles ferry service line, reflecting NorthLink’s financial difficulties. Sufficient resources will still be made available to be used for Piers and Harbours projects in future years.

17. Finally, we are aware that Argyll & Bute Council has been considering a reduction in the rate of discount on berthing dues available to regular users such as CalMac. That is a matter for the Council, and although we understand that final decisions have yet to be taken, it seems likely that such action could increase CalMac’s costs by several hundred thousand pounds. This is one of the factors that CalMac is taking into account as it finalises its budget for 2006-07.

Strategic Waste Fund

18. Mr Swinney asked two questions about the Strategic Waste Fund. Firstly, why was there an increase to the budget at the Spring Budget Revision, given that we had reduced the budget at the Autumn Budget Revision and, secondly why does it take so long to process local authority bids for funding from the Strategic Waste Fund.

19. Firstly, the Executive manages its budget in year to avoid under and overspending, taking account of variations in predicted spend by local authorities at different times of the year. The £4million uplift for the Strategic Waste Fund proposed at the Spring Budget Revision reflects the custom and practice of good financial management and represents a relatively minor adjustment to the projected outturn that was presented at the Autumn Budget Revision.

20. Secondly, with regard to the timescale for consideration of applications for Strategic Waste Fund awards I can confirm that in June 2005 the Executive requested business cases in the form of Strategic Outline Cases for funding the major infrastructure required to treat and divert residual waste from landfill. The guidance that the Executive produced on the preparation of Strategic Outline Cases stated that decisions on applications for funding the long-term residual waste treatment infrastructure would be made in Autumn 2006. The Executive will now consider the
proposals for funding and report to Ministers on the initial funding assessment in the summer. The funding proposals received to date are complex documents and make a major call on future financial resources. As a consequence it is essential that proposals are scrutinised carefully and that due care and attention is given to value for money considerations.

21. It is important to note that the current round of applications for funding residual waste treatment infrastructure is quite separate from the recycling activity being undertaken by local authorities. The majority of the Strategic Waste Fund budget for 2005-06 is being allocated to local authorities for recycling and composting activities and the Executive will continue to support all 32 local authorities on this through the provision of year on year funding.

TOM MCCABE