ECONOMY, ENERGY AND TOURISM COMMITTEE

AGENDA

15th Meeting, 2010 (Session 3)

Wednesday 12 May 2010

The Committee will meet at 9.30 am in Committee Room 1.

1. **Decision on taking business in private:** The Committee will decide whether its consideration of its draft report on the Budget Strategy Phase 2011-2012 should be taken in private at its meeting on 19 May.

2. **Budget Strategy 2011-12:** The Committee will take evidence on the Scottish Government's Budget Strategy 2011-12 from—

   John Swinney MSP, Cabinet Secretary for Finance and Sustainable Growth, David Reid, Head of Finance Programme Management, Dougie Greig, Head of Strategy and Analytical Service Coordination, and David Wilson, Director of Enterprise, Energy and Tourism, Scottish Government.

Stephen Imrie
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The papers for this meeting are as follows—

**Agenda item 2**

Note by the clerk

PRIVATE PAPER

EET/S3/10/15/1

EET/S3/10/15/2 (P)
Economy, Energy and Tourism Committee

15th Meeting, 2010 (Session 3), Wednesday, 12 May, 2010

Budget Strategy 2011-12

Background

1. The Committee has received written evidence from the Scottish Government in relation to the Budget Strategy 2011-12.

2. The submission is attached as an annexe to this paper. Members are invited to take it into account in their deliberations when questioning today’s witness.

Stephen Imrie
Clerk to the Committee
May 2010
SUBMISSION FROM SCOTTISH GOVERNMENT

BUDGET STRATEGY PHASE

1. You invited me to provide a written submission to the Committee ahead of my appearance on 12 May 2010 on the perspective for Scottish Government Energy, Enterprise and Tourism budgets from 2011-12 and beyond.

2. The Committee will be aware that, to date, the UK Government has yet to provide detailed information about the composition of spending across the UK, including for Scotland, beyond 2010-11 or the conduct of the next spending review. This information will hopefully follow quickly in the initial post-election period and I am making representations accordingly to UK Government counterparts.

3. In relation to what information is currently available, Scottish Ministers commissioned the Scottish Government’s Chief Economic Adviser, Dr Andrew Goudie, to undertake an assessment of the medium to long term outlook for public spending in Scotland.

4. Dr Goudie’s report, *Outlook for Scottish Government Expenditure*, details under a number of scenarios the implications for Departmental Expenditure Limits and in particular the Scottish budget.

5. The report, which was published on 22 April 2010 concludes:

   - Reductions averaging approximately three per cent a year in real terms between 2011-12 and 2014-15 are likely within the UK plans
   - By 2014-15, the Scottish Government DEL Budget could be between £3.5 and £4 billion lower in real terms than in 2009-10
   - It will take a period of sustained adjustment lasting up to 12 to 15 years before 2009-10 levels of expenditure are reached once again
   - Over this period, Scottish expenditure could cumulatively forego between £25 and £35 billion in real terms compared to a situation whereby the 2009-10 peak level of expenditure remained unchanged. The upper end of this scale would be more likely if the UK economic recovery were to be slower than forecast in Budget 2010

6. In terms of policy priorities moving forward, all areas of government will need to reflect on the implications of the incoming UK Government’s spending decisions and any relevant policy announcements. However, it is clear that measures to assist in Scotland’s recovery from the recession will continue to be a dominant feature of future policy and budget decisions within the areas of activity that are of most interest to the Committee.

7. As Scotland begins to enter a new period of growth, opportunities exist for Scottish businesses to develop new markets and grow existing ones. The Scottish Government is well prepared to meet the challenge of maintaining the most supportive environment for a strong recovery.
8. For example, our March update to the Economic Recovery Plan (ERP) sets out a number of priorities for the coming months. Those that may be of most interest to this Committee include:

- Developing a low carbon economy - We recognise that addressing the major economic costs of climate change is an economic and environmental imperative and we have already taken the lead with the most ambitious emission reduction targets in the world.

- Supporting internationalisation - The Scottish Government is committed to continuing to make Scotland an attractive destination for visitors and therefore, following from the success of last year's Homecoming Scotland initiative, we will roll out a series of further initiatives to ensure a legacy for Homecoming.

- Support for business – the Scottish Government currently offers the most generous package of business relief available in the UK, alongside a range of measures to support inward investment and business competitiveness.

9. The ERP sets out a range of priority measures relating to renewables and other aspects of the low carbon economy we seek to develop. The Scottish Government’s Climate Change Delivery Plan and associated Renewables Action Plan (RAP), published June 2009, act as drivers for the development of the renewable energy sector in Scotland and will serve to drive activity to fulfil a series of key challenging targets.

10. In recognising that tourism is among the largest contributors to the Scottish economy, plans are now underway to build on the success of Homecoming by continuing the successful approach adopted during 2009 and focus on a variety of Scotland’s assets to deliver future ‘themed’ years in the promotion of Scotland. In addition, VisitScotland has realigned its marketing activity and established a dedicated Scotland Marketing team to target domestic visitors. The Scottish Tourism Forum has also recently established a new industry leadership group to develop a new action plan for implementation of the Tourism Framework for Change tourism strategy.

11. The ERP also set out a number of the measures we are taking to support innovation, access to finance, skills development and to build the flexible labour market Scotland will need as the economy grows, in addition to the work being taken forward through Scottish Development International to generate export sales and secure inward investment.

12. In relation to managing the budget reductions we are likely to face following the UK spending review, the Committee will be aware that, despite the uncertainties that exist, Scottish Ministers established in February an Independent Budget Review to conduct a review of public expenditure in Scotland. They will report publicly by the end of July.
13. The Review panel has invited written contributions, including from business and other representative organisations with an interest in the issues that routinely come before the Committee.

14. As the Committee will also be aware, the Scottish Government has already delivered substantial efficiencies over the course of the current spending review period, including from within the enterprise networks, and recurring savings will help us deal with the financial constraints we are likely to face in the years to come. We have set out a prudent approach to public sector pay, where we have the powers to do so, and our simplification programme has already enabled us to streamline the public service landscape in Scotland.

Further information


Scottish Government
May 2010