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The Scottish Government

DELIVERING
A GAMES LEGACY FOR SCOTLAND

Jocelyn Davies AM
Chair
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National Assembly for Wales
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13 June 2012

Dear Jocelyn,

Thank you for your letters of 23 May regarding your Committee's inquiry into devolved funding to inform the work of the Independent Commission on Devolution in Wales.

I am glad that you have had the opportunity to take evidence from the Scottish Futures Trust in relation to its role in developing financial models and being a centre of expertise. The full strategic business case supporting the creation of the organisation prepared in 2008 can be found at http://www.scotland.gov.uk/Publications/2008/05/19155435/0.

In terms of the Committee's request for further information about our long-term sustainability framework, the Scottish Government's Infrastructure Investment Plan 2011 outlines plans for for infrastructure investment totalling up to £60 billion in the period 2015 to 2030. The Plan sets out why we invest, how we invest and what we will invest in over the coming years. The full Plan can be found at: http://www.scotland.gov.uk/Publications/2011/12/05141922/0.

As you point out, the Plan sets a cap on revenue commitments related to capital investment at 5 per cent of the expected future total DEL, which is equivalent to around £1.4 billion at current levels of funding. Revenue commitments include the Scottish Government share of historical PFI commitments, debt repayments on future borrowing flowing from the new powers in the Scotland Act 2012, and payments in relation to Network Rail's Regulatory Asset Base (RAB) and our Non Profit Distributing (NPD) programme.

Officials are currently discussing with procuring bodies the timeframe for progressing individual NPD projects and, where projects have been advertised to market, with prospective private sector delivery partners the likely range of costs associated with these projects. In addition, we are in process of agreeing with HM Treasury the detail of how the Scotland Act borrowing powers will operate. Against this background, it is not possible to state with certainty the long-term level of revenue commitments in relation to the cap.

We have, however, provided the Scottish Parliament with our projections for the spending review period as a percentage of the resource departmental expenditure limit (DEL) and the total DEL as shown in the following table.

	2012-13	2013-14	2014-15
Revenue-Financed investment Charges as a % of Resource DEL	3.4%	3.5%	3.9%
Revenue-Financed investment Charges as a % of Total DEL	3.1%	3.3%	3.6%

The total is likely to be an overestimate of the charges related directly to investment, as some of the PFI payments will include costs related to ongoing maintenance. At present it is not possible to separate the different elements of the unitary charges.

We will make available further information regarding future revenue commitments in due course when the NPD pipeline and capital borrowing plans have progressed further.

I hope this information is helpful to the Committee.

Y— sincerely,

JS

JOHN SWINNEY