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# Fiscal Update

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December 2021

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ISBN: 978-1-911637-44-8

Published by the Scottish Fiscal Commission, December 2021

Laying Number: SFC/2021/12

# Foreword

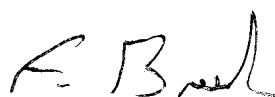
The Scottish Government sets out its funding and spending plans for the year ahead in its Scottish Budget, which is presented to the Scottish Parliament before the start of each financial year. These funding and spending plans are adjusted through the year as more information becomes available. This Fiscal Update is part of our regular series of publications which monitor how funding for the Scottish Budget changes over time.

We have previously published updates on funding for the 2020-21 Scottish Budget, but there have been no changes since our previous Update. So, in this document we present the latest funding position for the 2021-22 Scottish Budget, setting out changes since it was introduced to Parliament on 28 January 2021. Funding for the COVID-19 pandemic plays an important role, accounting for £5 billion, which amounts to 11 per cent of the overall budget. Compared to January 2021, both we and the Office for Budget Responsibility are forecasting higher tax revenues and social security spending in 2021-22 and the latest position of the Budget has been adjusted to reflect this.

We have also today (9 December 2021) published our report, Scotland's Economic and Fiscal Forecasts, where we consider the fiscal outlook over the next five years, including changes to the economy, taxes and the Scottish Budget.



Dame Susan Rice DBE



Professor Francis Breedon



Professor Alasdair Smith



Professor David Ulph

9 December 2021

# Contents

Foreword .....	1
2021-22 Scottish Budget .....	3
Additional Information .....	6

# 2021-22 Scottish Budget

## Introduction

- 1.1 The Scottish Government sets out its spending plans for the year ahead in the Scottish Budget, which is presented to the Scottish Parliament before the start of each financial year. These plans are set by the Scottish Government and are adjusted through the year at formal Budget Revisions. We show how these spending plans are funded, and how the level of funding has changed through the year.
- 1.2 The funding for 2021-22 was first introduced to the Scottish Parliament on 28 January 2021 in the Scottish Budget and a number of changes have occurred since. We published three previous Updates to explain the funding position, the first accompanied the Budget Bill on 28 January, the second on 9 March 2021 to incorporate funding changes from the UK Budget and Stage 3 of the Bill process, and the third on 26 August 2021 to reflect our latest forecast.<sup>1</sup>
- 1.3 This update focuses on changes since 26 August, which includes additional funding for COVID-19, adjustments for updated forecasts, and revisions to planned borrowing and use of the Scotland Reserve.

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<sup>1</sup> Scottish Fiscal Commission (2021) Fiscal Update – January 2021 ([link](#))  
Scottish Fiscal Commission (2021) Fiscal Update – March 2021 ([link](#))  
Scottish Fiscal Commission (2021) Fiscal Update – August 2021 ([link](#))

## Changes in funding since our last Fiscal Update

1.4 Figure 1.1 sets out changes to 2021-22 resource funding since our previous Fiscal Update. The largest change to the resource Budget is an increase of £341 million of COVID-19 funding.

**Figure 1.1: Changes to 2021-22 resource funding**

£ million	28 January 2021	Changes up to 26 August 2021	Changes since 26 August 2021	Latest position
Barnett-determined block grant	30,923	-40	0	30,883
Non-Barnett funding	756	0	0	756
Non-COVID Barnett funding	0	+34	0	34
COVID-19 funding	1,828	+2,755	+341	4,924
SFC tax forecasts [1]	12,937	+92	+78	13,107
Tax and non-tax BGAs [2]	-12,430	0	-99	-12,529
Social security BGAs [3]	3,310	0	+3	3,313
Final reconciliations	-319	0	0	-319
Resource borrowing	319	0	0	319
Resource reserve drawdown	231	+129	+42	402
Other	246	+25	0	271
NDR distributable amount	2,631	-541	0	2,090
<b>Total resource funding</b>	<b>40,431</b>	<b>+2,453</b>	<b>+365</b>	<b>43,250</b>

Source: Scottish Fiscal Commission, based on Scottish Government information.

Figures may not sum because of rounding.

[1] Changes to SFC tax forecasts reflects revisions to our forecasts since August 2021, comprised of £68 million increase to our Land and Buildings Transaction Tax forecast and £10 million increase to our forecast for Scottish Landfill Tax.

[2] Changes to tax and non-tax BGAs includes -£104 million for Land and Buildings Transaction Tax and £5 million for Scottish Landfill Tax.

[3] Changes to social security BGAs includes -£25 million Attendance Allowance, -£14 million Carer's Allowance, £2 million Disability Living Allowance, -£1 million Industrial Injuries Disablement Scheme, £42 million Personal Independence Payments and -£1 million Severe Disablement Allowance.

1.5 Both we and the OBR have revised up our forecasts for fully devolved tax revenues in Scotland and the rest of the UK respectively. Our forecast has increased by more than the corresponding change in the BGA, so when the two are compared this results in an additional £71 million in funding for 2021-22. Income tax funding is not adjusted during the year and will remain fixed from our January 2021 forecast until outturn information is published in 2023. An adjustment will then be applied to the 2024-25 budget.

1.6 For social security payments funded by BGAs, both we and the OBR are forecasting greater spending, in Scotland and the rest of the UK respectively, compared to when the 2021-22 Scottish Budget was set.<sup>2</sup> We are expecting Scottish spending to increase by more than the OBR are for the rest of the UK, resulting in a £31 million reduction in funding for 2021-22.

<sup>2</sup> Social security payment with BGAs includes Attendance Allowance, Child Disability Payment/Disability Living Allowance, Carer's Allowance, Adult Disability Payment/Personal Independence Payment, Industrial Injuries Disablement Scheme, Low Income Winter Heating Assistance/Cold Weather Payments and Severe Disablement Allowance.

**Figure 1.2: Changes to tax and social security forecasts since January 2021**

£ million	Change in SFC forecast	Change in BGAs	Change in net position
Fully devolved taxes	170	-99	71
Social security funded by BGAs [1]	-34	3	-31

Source: Scottish Fiscal Commission

Figures may not sum to totals because of rounding.

[1] Negative figures for SFC social security forecast represents higher spending

1.7 Capital funding has also increased since our August Fiscal Update, as shown below in Figure 1.3. The largest change is an increase of COVID-19 funding, which is partially offset by reduced capital borrowing plans.

**Figure 1.3: Changes to 2021-22 capital funding**

£ million		28 January 2021	Changes up to 26 August 2021	Changes since 26 August 2021	Latest position
Capital (excluding financial transactions)	Barnett-determined block grant	4,973	0	0	4,973
	Non-Barnett funding	0	+188	0	188
	Non-COVID Barnett funding	0	+34	0	34
	COVID-19 funding	0	+237	+89	326
	Capital borrowing	450	0	-50	400
	Capital reserve drawdown	0	0	+4	4
	Other	0	0	0	0
Financial transactions	Barnett-determined block grant	208	0	0	208
	Non-COVID Barnett funding	0	0	0	0
	COVID-19 funding	0	+57	0	57
	Financial transaction reserve drawdown	200	0	-3	197
	Other	0	0	0	0
Total	Total	5,831	+516	+40	6,387

Source: Scottish Fiscal Commission, based on Scottish Government information.

Figures may not sum to totals because of rounding.

# Additional Information

## Abbreviations

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BGA	Block Grant Adjustment
COVID-19	Coronavirus
SFC	Scottish Fiscal Commission
NDR	Non Domestic Rates
OBR	Office for Budget Responsibility
OECD	Organisation for Economic Cooperation and Development
SEFF	Scotland's Economic and Fiscal Forecasts
UK	United Kingdom

A full glossary of terms is available on our website:

<https://www.fiscalcommission.scot/explainers/glossary/>

## Professional Standards

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The Commission is committed to fulfilling our role as an Independent Fiscal Institution, in line with the principles set out by the Organisation for Economic Cooperation and Development (OECD).<sup>3</sup>

The Commission also seeks to adhere to the highest possible standards for analysis. While we do not produce official statistics, we voluntarily comply as far as possible with the UK Statistic Authority's Code of Practice for Statistics. Further details and our statement of voluntary compliance can be found on our website.<sup>4</sup>

## Correspondence and enquiries

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We welcome comments from users about the content and format of our publications. If you have any feedback or general enquiries about this publication or the commission, please contact [info@fiscalcommission.scot](mailto:info@fiscalcommission.scot). Press enquiries should be sent to [press@fiscalcommission.scot](mailto:press@fiscalcommission.scot).

All charts and tables in this publication have also been made available in spreadsheet form on our website. For technical enquiries about the analysis and data presented in this paper please contact the responsible analyst:

**Public funding**

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<sup>3</sup> OECD (2014) Recommendation on Principles for Independent Fiscal Institutions ([link](#))

<sup>4</sup> Scottish Fiscal Commission (2018) Compliance with the Code of Practice for Official Statistics ([link](#))



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