
Fiscal Update

May 2022

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Foreword

The Scottish Government sets out funding and spending plans for the year ahead in the Scottish Budget, which is presented to the Scottish Parliament ahead of each financial year. These 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 published a Fiscal Update with the latest funding position for 2021-22 in December 2021. Since then there has been the Spring Budget Revision, the 2021-22 UK Supplementary Estimates, the UK Spring Statement and the 2022-23 UK Main Estimates. These events, alongside final decisions on borrowing and our latest forecasts, have resulted in changes to the funding available to spend in 2021-22, so here we publish the latest position.

Our Scotland's Economic and Fiscal Forecasts (SEFF) from December 2021 accompanied the Scottish Budget for 2022-23 as it was initially presented to the Scottish Parliament. As the Budget Bill progressed several changes were made to the funding position. In this Fiscal Update we publish the funding changes to the 2022-23 Budget from what was originally laid before Parliament to what was enacted as part of the Budget (Scotland) Act 2022, including our latest May 2022 tax revenue forecasts.

We report changes to the Block Grant settlements for both budgets as a result of changes from the UK Government. We also show changes to the Scotland Reserve, the instrument with which the Scottish Government manages funds across years. Regarding devolved taxes, in the absence of new outturn data changing reconciliations or the Block Grant Adjustments (BGAs), there is only a slight revision upwards in tax revenue as a result of our most recent forecasts. The Scottish Government has also made final decisions on borrowing for 2021-22 and changes to the borrowing plans for 2022-23.

The 2020-21 funding position is final and will not change. The 2021-22 position may shift slightly with the publication of provisional outturn data over the summer. Overall, the latest funding position for the current fiscal year and the two previous ones is as follows.

Figure 1: Summary of historic total funding

£ million	2020-21	2021-22	2022-23
Resource	44,572	44,065	42,767
Capital (including Financial Transactions)	5,692	5,916	6,464
Total funding	50,264	49,981	49,231

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

Figures may not sum because of rounding.

Today we also 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 David Ulph

Professor Francis Breedon

31 May 2022

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Chapter 1

2021-22 Scottish Budget

Introduction

- 1.1 The 2021-22 Scottish Budget was introduced to the Scottish Parliament on 28 January 2021, setting out the Scottish Government's plans. Our January 2021 publication explained the funding position.¹
- 1.2 Our three previously published Fiscal Updates have tracked changes to the 2021-22 funding. The first on 9 March 2021 incorporated funding changes from the UK Budget and Stage 3 of the Bill process.² The second on 26 August 2021 reflected our summer forecasts.³ The third on 9 December 2021 included the changes from the Autumn Budget Revision, the UK Autumn Budget 2021 and our revised forecasts for the fiscal year.⁴
- 1.3 This update focuses on changes since 9 December 2021. On the resource side, it includes additional consequentials related to Coronavirus (COVID-19), an increase in non-Barnett funding and the deferral into 2022-23 of voluntary donations by some ratepayers to refund NDR relief automatically awarded in 2020-21. On the capital side, it includes a decrease in consequentials and a final decision to borrow less for investment than planned.

Changes in Resource Funding

- 1.4 Figure 1.1 sets out changes to 2021-22 resource funding since our previous Fiscal Update. Overall, resource funding for 2021-22 has increased by £815 million since last December. The largest change to the resource budget is an increase of £565 million Barnett consequentials relating to COVID-19.
- 1.5 Barnett consequentials result from changes to UK Government spending in devolved areas and can be either positive or negative. The main UK Government policies leading to a net £565 million increase in COVID-19 consequentials were:
 - On the positive side, support to compensate businesses in England for ruling out appeals claiming that COVID-19 represented a 'material change of circumstances' in their rateable value (+£145 million), funding packages to support Transport for London (+£154 million) and train operating companies (+£126 million).
 - On the negative side, reductions in the NHS England's COVID-19-specific expenditure (-£231 million) and COVID-19-specific business support grants (-£34 million).⁵

¹ Scottish Fiscal Commission (2021) Scotland's Economic and Fiscal Forecasts – January 2021 ([link](#))

² Scottish Fiscal Commission (2021) Fiscal Update – March 2021 ([link](#))

³ Scottish Fiscal Commission (2021) Fiscal Update – August 2021 ([link](#))

⁴ Scottish Fiscal Commission (2021) Fiscal Update – December 2021 ([link](#))

⁵ UK Parliament (2022) Scotland Office and Office of the Advocate General – Supplementary Estimate 2021-22 Annex A ([link](#))

Figure 1.1: Changes to 2021-22 resource funding

£ million	28 January 2021	Changes up to 9 December 2021	Changes since 9 December 2021	Latest position
UK Spending Review baseline (Barnett)	30,923	-	-	30,923
COVID Barnett consequentials	1,828	+3,055	+565	5,447
Non-COVID Barnett consequentials [1]	-	+35	-37	-2
Non-Barnett funding	756	-	+241	997
SFC tax forecasts [2]	12,937	+170	+83	13,190
Tax and non-tax BGAs	-12,430	-99	-	-12,529
Social security BGAs	3,310	+3	-	3,313
Final reconciliations	-319	-	-	-319
Resource borrowing	319	-	-	319
Resource reserve drawdown	231	+171	+4	406
Other	246	+25	-41	230
NDR distributable amount	2,631	-541	-	2,090
Total resource funding	40,431	+2,819	+815	44,065

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

Figures may not sum because of rounding.

[1] Amount for changes up to 9 December 2021 differs by around £1 million from what was published then because of minor reclassifications between funding lines that offset each other.

[2] Changes to SFC tax forecasts reflect revisions to our forecasts since December 2021, comprised of £79 million increase to our Land and Buildings Transaction Tax forecast, and £4 million increase to our forecast for Scottish Landfill Tax.

- 1.6** The latest changes in non-COVID Barnett consequentials (-£37 million) are after a -£296 million change. In February 2022 the Chancellor of the Exchequer announced a package of measures to support households with rising energy prices which resulted in £296 million additional funding for the Scottish Government in 2022-23 at UK Supplementary Estimates 2021-22.⁶ The UK Government provided the Scottish Government the option to spend this in 2021-22 or carry forward to 2022-23. The Scottish Government chose to carry forward this funding to 2022-23.
- 1.7** However, this additional funding affected the size of consequentials that the Scottish Government had assumed would come with the 2021-22 UK Supplementary Estimates. The final additional funding from the UK Supplementary Estimates in 2021-22 was £296 million lower than it would otherwise have been.
- 1.8** Non-Barnett funding has increased by £241 million. This was mainly from funding for COP26 and funding arising from the NHS Test and Trace programme in England.
- 1.9** On devolved tax revenue, there has been a +£83 million change as a result of our latest tax forecasts. Figure 1.2 shows the change for each tax. More information on these can be found in the Tax chapter of our report, Scotland's Economic and Fiscal Forecasts (SEFF).⁷

⁶ UK Government (2022) News story: Millions to receive £350 boost to help with rising energy costs ([link](#))

⁷ Scottish Fiscal Commission (2022) Scotland's Economic and Fiscal Forecasts – May 2022 ([link](#))

Figure 1.2: Change to the 2021-22 SFC tax revenue forecasts

£ million	December 2021 forecast	May 2022 forecast	Change
Land and Buildings Transaction Tax	720	799	+79
Scottish Landfill Tax	123	128	+4
Fully devolved tax revenue	844	927	+83

Source: Scottish Fiscal Commission (2021) Scotland's Economic and Fiscal Forecasts – December 2021 ([link](#)).
Figures may not sum because of rounding.

1.10 Figure 1.1 also shows an overall reduction in the 'other' funding line by £41 million. This is the result of two movements in opposite directions:

- -£112 million because of the re-profiling of NDR income following voluntary donations by some ratepayers to refund the NDR relief automatically awarded to them in 2020-21. In 2020-21 the Scottish Government offered NDR relief to businesses in the Retail, Hospitality and Leisure (RHL) sectors because of COVID-19 related restrictions. By December 2020 several large retailers announced they did not need it, and paid their rates to the UK Government and the devolved administrations. The 2021-22 Scottish Budget was set around that time, so the Scottish Government included £185 million of assumed donations as part of the 'other' resource funding. The assumed amount was exceeded: the Scottish Consolidated Fund received £126 million directly and HM Treasury passed on a further £73 million. The Scottish Government opted to deploy the amounts received into the Scottish Consolidated Fund in the 2022-23 financial year instead. Therefore, its assumed £185 million is reduced by £112 million as only the £73 million received through HM Treasury remain in the 2021-22 funding envelope.
- +£71 million from an additional income from the Immigration Health Surcharge, confirmed at 2021-22 UK Supplementary Estimates.

Changes in Capital Funding

1.11 Capital funding has decreased by £471 million since our December 2021 Fiscal Update, as shown in Figure 1.3.

1.12 Non-Barnett funding has decreased by £71 million because of:

- -£75 million of capital Network Rail funding being re-profiled to the 2022-23 financial year.
- +£4 million arising from the 2021-22 UK Supplementary Estimates.

1.13 The Scottish Government also revised its capital borrowing plans down from the £400 million planned in December 2021 to £150 million.

Figure 1.3: Changes to 2021-22 capital funding

£ million	28 January 2021	Changes up to 9 December 2021	Changes since 9 December 2021	Latest position
Capital (excluding FTs)				
UK Spending Review baseline (Barnett)	4,973	-	-	4,973
COVID-19 Barnett consequentials	-	+326	+57	382
Non-COVID-19 Barnett consequentials	-	+34	-180	-146
Non-Barnett funding	-	+188	-71	118
Capital borrowing	450	-50	-250	150
Capital reserve drawdown	-	+4	+3	7
Other	-	-	-	-
Financial Transactions				
UK Spending Review baseline (Barnett)	208	-	-	208
COVID-19 Barnett consequentials	-	+57	-30	27
Non-COVID-19 Barnett consequentials	-	-	-	-
Other	200	-3	-	197
NDR distributable amount	-	-	-	-
Total Capital Funding	5,831	+556	-471	5,916

Source: Scottish Fiscal Commission, based on Scottish Government information.
 Figures may not sum because of rounding.

Chapter 2

2022-23 Scottish Budget

Introduction

- 2.1 The funding for 2022-23 was first introduced to the Scottish Parliament on 9 December 2022 in the Scottish Budget. Since then, the Budget Bill received Royal Assent on 23 March 2022.⁸
- 2.2 This is the first update on the 2022-23 Scottish Budget. The funding position has changed slightly on its journey through parliament. Overall, there are an additional £764 million of resource funding. Barnett consequentials and our tax forecasts have increased. There is an adjustment to the 'other' funding line, as well as the re-profiling of NDR income following voluntary donations by some ratepayers to refund the relief awarded to them in the 2020-21 financial year. There are new drawdown plans from the Scotland Reserve. On the capital side, funding has increased by £113 million, mainly because of an increase in non-Barnett funding which relates to a technical adjustment.
- 2.3 Figure 2.1 sets out changes to 2022-23 resource funding since the budget was first presented to the Scottish Parliament in December 2021.

Figure 2.1: Changes to 2022-23 resource funding

£ million	9 December 2021	Changes since 9 December 2021	Latest position
UK Spending Review baseline (Barnett)	34,322	-	34,322
Barnett consequentials	-	+406	406
Non-Barnett funding	704	-	704
SFC tax forecasts [1]	14,521	+68	14,589
Tax and non-tax BGAs	-14,639	-	-14,639
Social security BGAs	3,587	-	3,587
Final reconciliations	-15	-	-15
Resource borrowing	15	-	15
Resource reserve drawdown	-	+400	400
Other [2]	742	-110	632
NDR distributable amount	2,766	-	2,766
Total resource funding	42,002	+764	42,767

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

Figures may not sum because of rounding.

[1] Changes to SFC tax forecasts reflect revisions to our forecasts since December 2021, comprised of £48 million increase to our Land and Buildings Transaction Tax forecast, and £20 million to our forecast for Scottish Landfill Tax. Forecasts of non-tax elements are included in the 'other' line instead.

[2] The final amount of £632 million does not include deductions for borrowing costs. In future budgets these will be deducted from total funding to arrive at the amounts available for discretionary spending.

⁸ Budget (Scotland) Act 2022 ([link](#))

2.4 The increase in Barnett consequentials (+£406 million) consists of:

- +£296 million arising from the package of measures announced by the Chancellor of the Exchequer in February 2022 to support households with rising energy costs.
- +£44 million increase from the UK Spring Statement in March 2022 as a result of additional support to English local authorities.⁹
- +£66 million from the 2022-23 UK Main Supply Estimates, published in May 2022.¹⁰

2.5 Figure 2.2 shows how the funding from devolved taxes in 2022-23 has increased by £68 million as a result of our most recent forecasts. Further information can be found in Chapter 4 of the SEFF.¹¹ The Block Grant Adjustments for fully devolved taxes in 2022-23 will be updated at the UK Autumn Budget in 2022.

Figure 2.2: Change to the 2022-23 SFC tax revenue forecasts

£ million	December 2021 forecast	May 2022 forecast	Change
Land and Buildings Transaction Tax	749	797	+48
Scottish Landfill Tax	101	121	+21
Fully devolved tax revenue	850	918	+68

Source: Scottish Fiscal Commission (2021) Scotland's Economic and Fiscal Forecasts – December 2021 ([link](#)).

Figures may not sum because of rounding.

2.6 As shown in Figure 2.1, the upward revision of planned resource reserve drawdown to £400 million matches the latest published forecast of the Scotland Reserve opening balance in 2022-23.¹² This is because the Scottish Government confirmed that it will draw down all available funds from the reserve in 2022-23 to support spending. However, it is worth noting that £120 million out of this reserve drawdown is earmarked for additional spending on Local Government, which was not part of the Budget in December 2021.

2.7 The 2022-23 Budget was set with £742 million of 'other income'. This included a risk-assessed assumption of £620 million. The remaining £122 million was from the Immigration Health Surcharge, Queen's and Lord Treasurer's Remembrance and revenue from fines, forfeitures and fixed penalties. The overall change on this line is -£110 million, and comprises:

- -£44 million of assumed deferrable consequentials from the UK Spring Statement.
- -£66 million of assumed deferrable consequentials from the UK 2022-23 Main Estimates.

2.8 Both of the above, which had been part of the £620 million assumption, have now materialised and feed into the 2022-23 Budget through the Barnett consequentials line. We therefore remove them from the 'other' line to avoid double counting.

2.9 For more detail on the components of the £620 million assumption and how they have changed, please refer to Chapter 2 of the SEFF.¹³

⁹ UK Government (2022) Spring Statement 2022 ([link](#))

¹⁰ UK Government (2022) Main Supply Estimates 2022 to 2023 ([link](#))

¹¹ Scottish Fiscal Commission (2022) Scotland's Economic and Fiscal Forecasts – May 2022 ([link](#))

¹² Scottish Government (2022) Spring Budget Revision 2021 to 2022 ([link](#))

¹³ Scottish Fiscal Commission (2022) Scotland's Economic and Fiscal Forecasts – May 2022 ([link](#))

Changes in Capital funding

2.10 Figure 2.3 shows that capital funding for the 2022-23 Scottish Budget has increased by £113 million. There have been some consequential from the 2022-23 UK Main Estimates, a technical adjustment on non-Barnett funding and an upwards revision of the capital reserve drawdown plans. There has also been a change of capital borrowing plans which has a neutral effect in funding levels.

Figure 2.3: Changes to 2022-23 capital funding

£ million	9 December 2021	Changes since 9 December 2021	Latest position
Capital (excluding FTs)			
UK Spending Review baseline (Barnett)	4,469	-	4,469
Barnett consequential	-	+12	12
Non-Barnett funding	643	+75	718
Capital borrowing	450	-200	250
Capital reserve drawdown	118	+26	144
Other [1]	144	+200	344
Financial Transactions			
UK Spending Review baseline (Barnett)	466	-	466
Barnett consequential	-	-	-
Financial transaction reserve drawdown	61	-	61
Other	-	-	-
Total Capital Funding	6,351	+113	6,464

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

Figures may not sum because of rounding.

[1] Other includes £100 million of City Deals and £44 million of Fuel Levy, and now £200 million of 'other' assumed capital funding. This funding is expected to come from additional reserve drawdown, consequential or underspends. In the event that these are not enough, the Scottish Government may increase its capital borrowing plans to cover the assumption.

2.11 The £12 million of Barnett consequential arose from the 2022-23 UK Main Estimates, mainly related to capital funding for the Department for Transport.

2.12 An increase of £75 million of non-Barnett funding is the result of re-profiling capital Network Rail funding, which had previously been allocated to 2021-22.

2.13 While the borrowing plans for 2022-23 remain unchanged, the Scottish Government has changed its approach towards capital borrowing for the Resource Spending Review period. Further details can be found in the Chapter 2 of the SEFF.¹⁴ The change is neutral in funding terms.

2.14 As with resource, the capital reserve drawdown has been revised upwards to £144 million to match the planned closing balance of the capital reserve in 2021-22.¹⁵

¹⁴ Scottish Fiscal Commission (2022) Scotland's Economic and Fiscal Forecasts – May 2022 ([link](#))

¹⁵ Scottish Government (2022) Spring Budget Revision 2021 to 2022 ([link](#))

Additional Information

Abbreviations

BGA	Block Grant Adjustment
COP26	26th UN Climate Change Conference of the Parties
COVID-19	Coronavirus
FT	Financial transaction
NDR	Non Domestic Rates
NHS	National Health Service
OECD	Organisation for Economic Cooperation and Development
RHL	Retail, Hospitality and Leisure
SEFF	Scotland's Economic and Fiscal Forecasts
SFC	Scottish Fiscal Commission
UK	United Kingdom

A full glossary of terms is available on our website:

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

Professional Standards

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).¹⁶

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 Statistics Authority's Code of Practice for Statistics. Further details and our statement of voluntary compliance can be found on our website.¹⁷

Correspondence and enquiries

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. Press enquiries should be sent to 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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¹⁶ OECD (2014) Recommendation on Principles for Independent Fiscal Institutions ([link](#))

¹⁷ Scottish Fiscal Commission (2018) Compliance with the Code of Practice for Official Statistics ([link](#))

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