

Scotland's Economic and Fiscal Forecasts

May 2019

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Overview

1. Introduction – Dame Susan Rice, chair
2. Scotland's Economic and Fiscal Forecasts – John Ireland, chief executive
3. Question and Answer

Aim to finish for 11 AM

Pre-arranged interviews with Dame Susan Rice
(see Caroline)

Introduction

Dame Susan Rice

Scotland's Economic and Fiscal Forecasts




John Ireland

Economy Forecasts

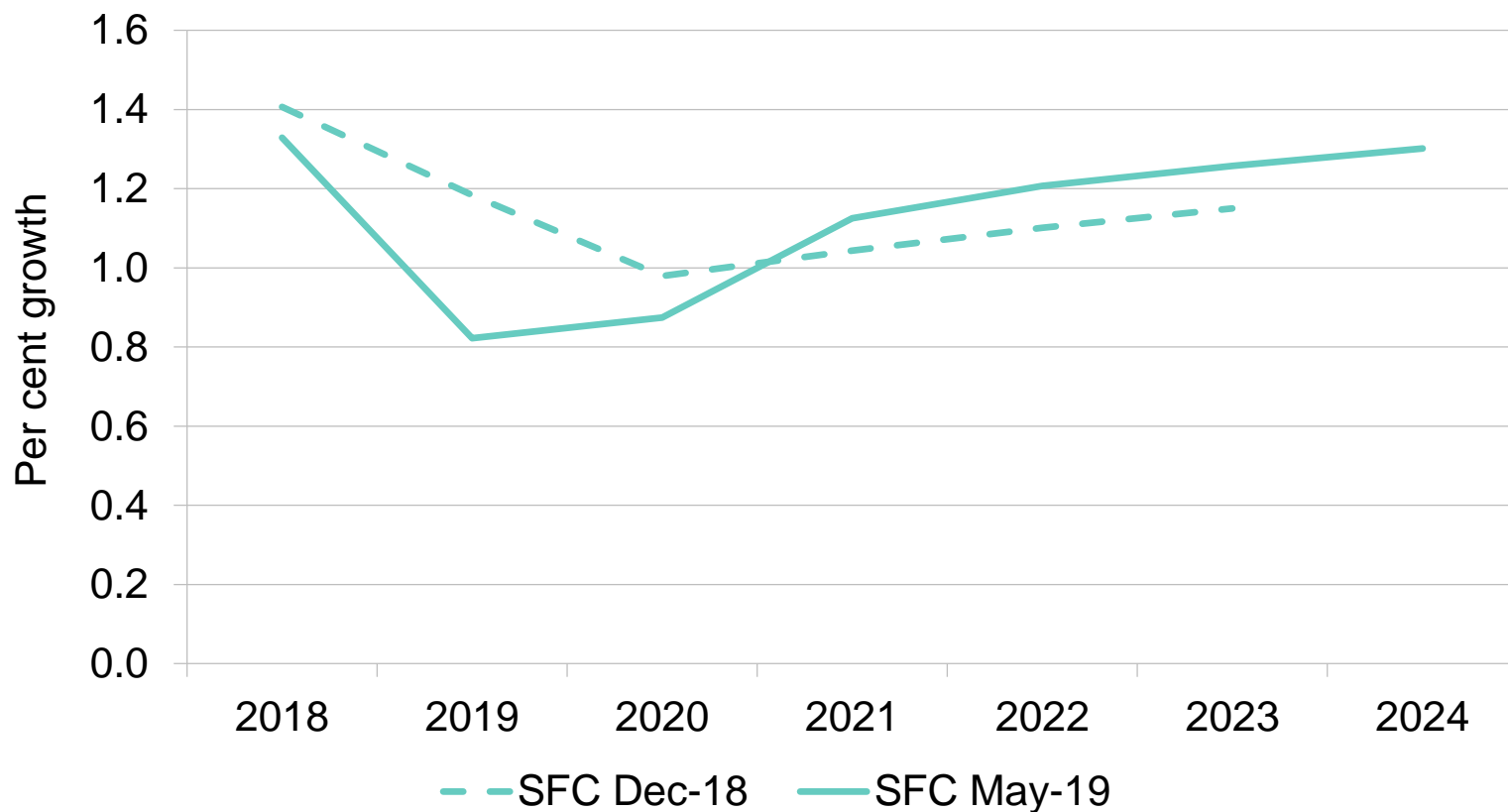
Economy Forecasts

Scotland's Economic and Fiscal Forecasts

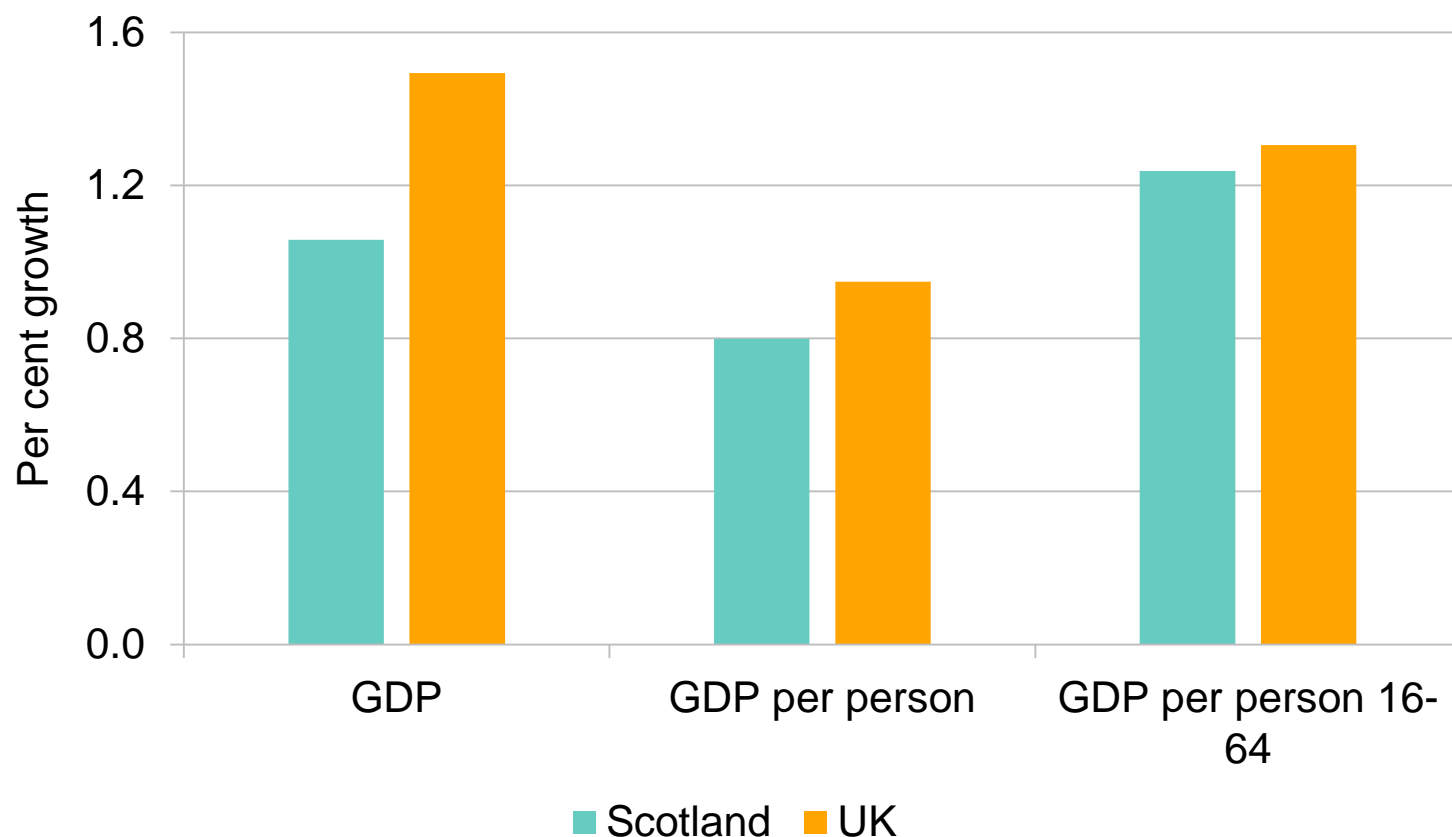
May 2019

Economy		2018	2019	2020	2024	% growth
	GDP	1.3	0.8	0.9	1.3	Brexit uncertainty is expected to limit growth in the shorter term, growth in the longer remains subdued
Change since December 2018		-0.1	-0.4	-0.1		
	Nominal Earnings	2.6	2.6	2.7	3.2	Nominal earnings higher than in our December 2018 forecast, and expected to gradually increase
Change since December 2018		0.6	0.3	0.2		
	Real Earnings	0.2	0.4	0.8	1.2	Real earnings growth expected to remain low by historic standards
Change since December 2018		0.5	0.1	0.3		

Economy – Forecast Comparison

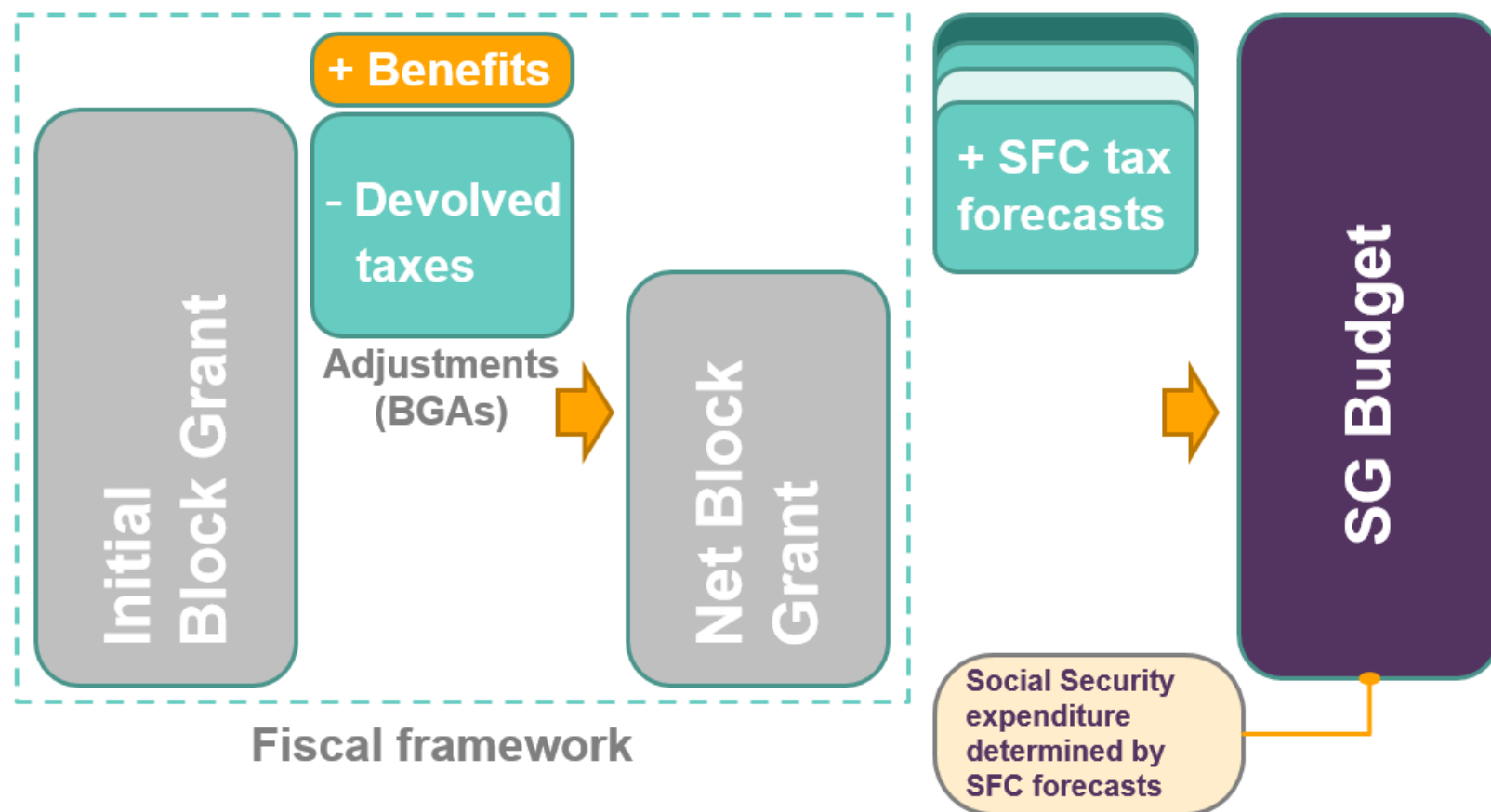


Economy – GDP and GDP per person







The Scottish Budget

Scottish Budget – How it works

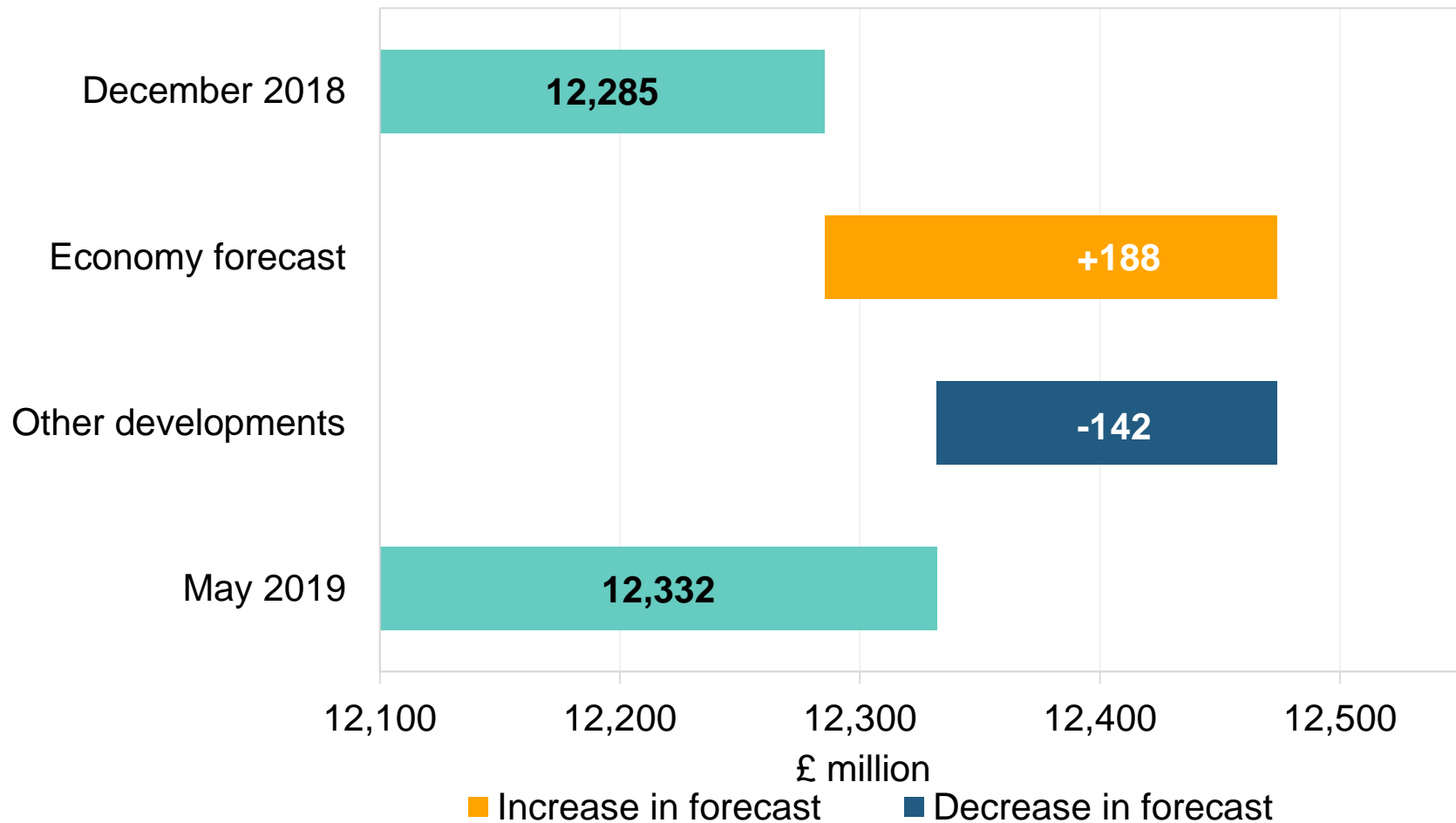


Tax Forecasts

Tax – Forecasts

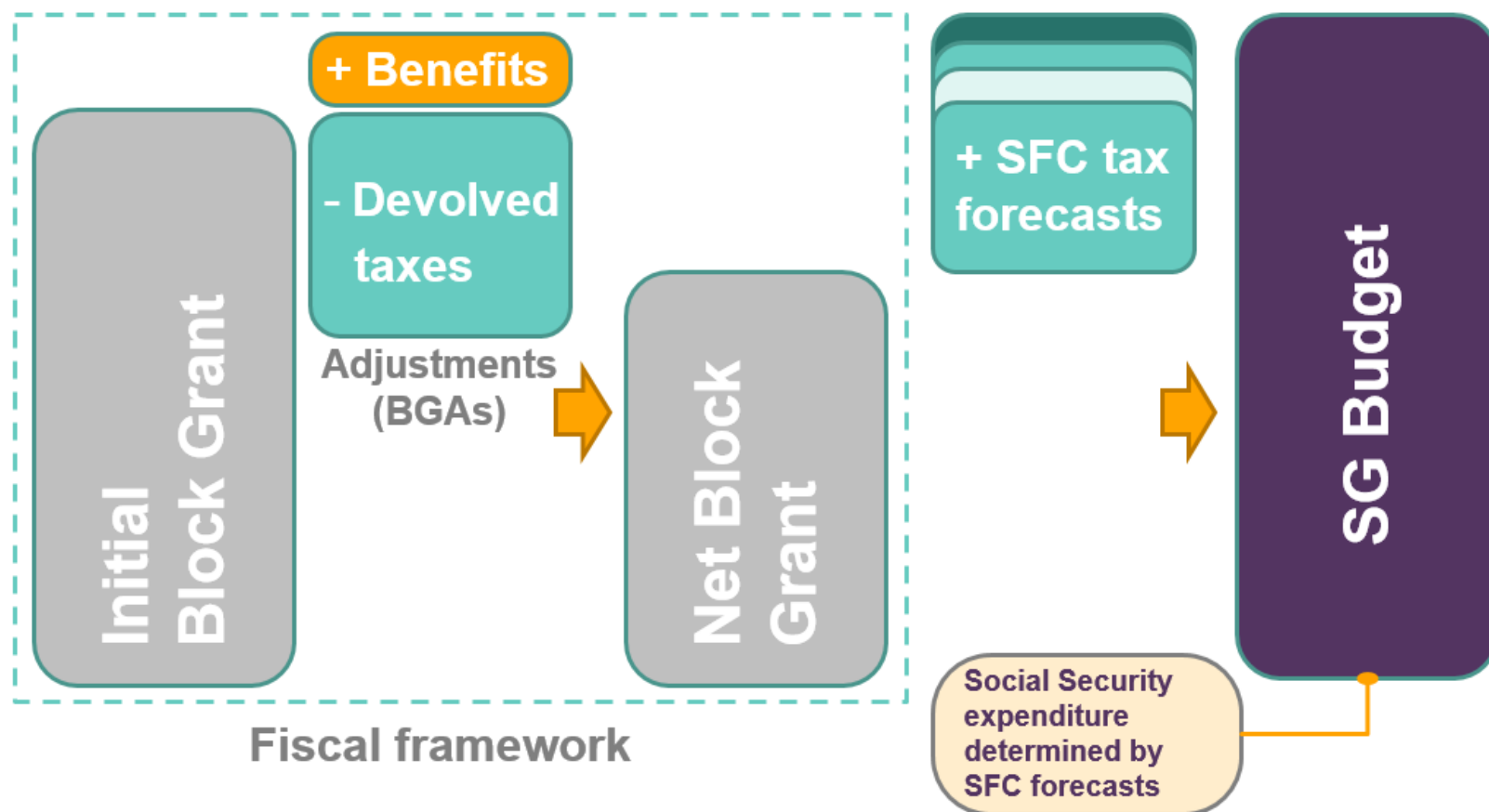
Tax		2018-19	2019-20	2020-21	2024-25	£ million
	Income Tax	11,486	11,703	12,332	14,613	Our forecast of income tax revenues in 2020-21 has increased by £47 million
	Non-Domestic Rates	2,885	2,803	2,853	3,318	Higher expected losses to appeals reduced the forecast in 2020-21
	LBTT	553	616	655	794	We have revised the LBTT forecast down by £25 million in 2020-21
	Scottish Landfill Tax	143	109	87	15	Revenues fall because of new incineration capacity and the ban on landfilling certain waste from 2021

Income tax revenue in 2020-21 – comparison to December 2018 forecast



The Scottish Budget - Reconciliations

Scottish Budget – How it works



Scottish Budget – Reconciliations

Budget 2020-21

- SFC forecast 2020-21 (LBTT, SLfT, social security)

- SFC income tax forecast
- Block Grant Adjustments (BGAs) 2020-21
based on OBR forecasts (income tax, LBTT, SLfT, social security)
- Income tax reconciliation 2017-18
- BGA 2018-19 final reconciliation (LBTT, SLfT, Carer's Allowance)
- BGA 2019-20 interim reconciliation (LBTT, SLfT, Carer's Allowance)



Managed in-year



Fixed for Budget year

Scottish Budget – Reconciliations

Budget 2020-21

- SFC forecast 2020-21 (LBTT, SLfT, social security)

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- BGA 2019-20 interim reconciliation (LBTT, SLfT, Carer's Allowance)

Budget 2021-22

- SFC forecast 2021-22 (LBTT, SLfT, social security)

- SFC income tax forecast
- BGAs 2021-22 based on OBR forecasts (income tax, LBTT, SLfT, social security)
- Income tax reconciliation 2018-19
- BGA 2019-20 final reconciliation (LBTT, SLfT, Carer's Allowance)
- BGA 2020-21 interim reconciliation (LBTT, SLfT, social security)



Managed in-year



Fixed for Budget year

Income tax reconciliations

Budget year	Outturn data available	Budget affected	Forecast reconciliation (£ million)
2017-18	Summer 2019	2020-21	-229
2018-19	Summer 2020	2021-22	-608
2019-20	Summer 2021	2022-23	-188

Income tax reconciliations – 2018-19







£ million	Revenue	BGA	Difference	Forecast reconciliation
Forecast used in Budget	12,177	11,749	428	
Latest forecast of outturn	11,486	11,665	-179	-608
<i>Change</i>	-692	-84		

Social Security

Social Security - Forecasts



Social Security Expenditure (£m) May 2019

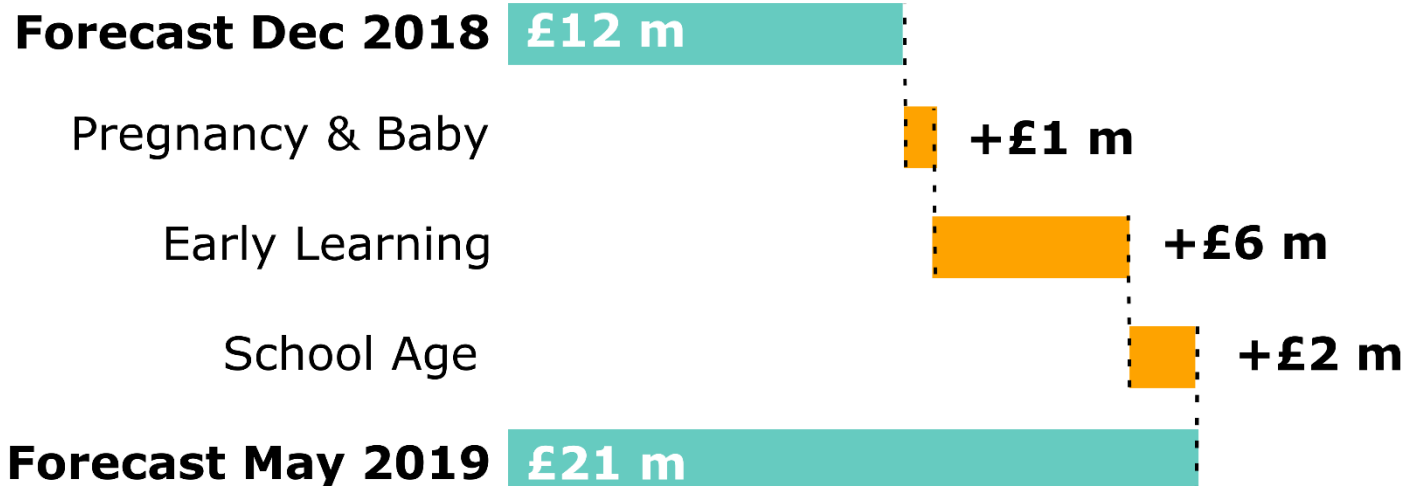
	2018-19	2019-20	2020-21	2024-25
 Carer's Allowance (inc. Supplement)	186	323	344	444
 Discretionary Housing Payments	62	64	66	73
 Employability Service	19	16	24	0
 Best Start Grant	4	21	16	18
 Best Start Food		5	6	4
 Funeral Support Payments		6	7	8

Social Security – Best Start Grant



Social Security
Best Start Grant forecast for 2019-20
May 2019

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Social Security – Increased responsibility

2019-20

£0.4
billion

2020-21

+ £3.1
billion

£3.5
billion

- Personal Independence Payments and Disability Living Allowance
 - Attendance Allowance
 - Industrial Injuries Benefits
- Severe Disablement Allowance
 - Winter Fuel Payments
 - Cold Weather Payments



Social Security – What next?


Timeline for new benefits



DA = disability assistance

Tax – What next?

Tax		2018-19	2019-20	2020-21	2024-25	£ million
	Assigned VAT	5,514	5,707	5,879	6,571	HMRC estimates VAT assignment using a methodology developed by HMRC, HM Treasury and the Scottish Government
	Scottish share of APD	286	295	307	369	Our forecast has been revised down by £15 million in 2020-21 because of a lower forecast for passenger numbers

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