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# Fiscal Update

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August 2021

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ISBN: 978-1-911637-39-4

Published by the Scottish Fiscal Commission, August 2021

Laying Number: SFC/2021/8

# Foreword

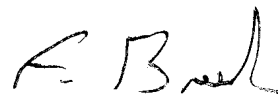
The Scottish Government sets out its funding and spending plans for the year ahead in its Scottish Budget document, which is presented to the Scottish Parliament before the start of each financial year. The funding and spending plans are adjusted through the year as more information becomes available.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

The 2020-21 Scottish Budget, first introduced to the Scottish Parliament on 6 February 2020 has changed a great deal as it was set before any funding had been introduced for the COVID-19 pandemic. COVID-19 funding went on to increase this Budget by £8.6 billion, accounting for 17 per cent of total funding. The Scottish Government announced provisional outturn information for 2020-21 on 17 June 2021, which allows us to now present near-final funding for this year.

For 2021-22 we present the latest funding position, setting out changes since it was introduced to Parliament on 28 January 2021. COVID-19 funding again plays an important role, increasing the Budget by £4.9 billion, and accounting for 10 per cent of total funding so far. The 2021-22 Scottish Budget will continue to evolve over the coming months and we will publish future Updates to explain any changes.



Dame Susan Rice DBE



Professor Francis Breedon



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Professor David Ulph

26 August 2021

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# Chapter 1

## 2021-22 Scottish Budget

### Introduction

- 1.1 The Scottish Government sets out its spending plans for the year ahead in the Scottish Budget document, 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 We first consider the Scottish Budget for this year, 2021-22. The Scottish Budget Bill was first introduced to the Scottish Parliament on 28 January 2021 and a number of changes have occurred since. We published two previous Updates to explain the funding position, one to accompany the Budget Bill on 28 January and one on 9 March 2021 to incorporate funding changes from the UK Budget and the Scottish Budget becoming an Act.<sup>1,2</sup>
- 1.3 This update focuses on changes since 9 March, the largest of which is an increase in COVID-19 funding. These changes occurred following the publication of the UK Government's Main Estimates which announced further COVID-19 funding.<sup>3,4</sup> We expect the 2021-22 Scottish Budget to continue to evolve and we will produce additional Fiscal Updates in future to explain further changes.

### Changes in funding since our last Fiscal Update

- 1.4 We published our last Fiscal Update on 9 March 2021 alongside Stage 3 of the Budget Bill. In this Chapter we set out how funding for the 2021-22 Scottish Budget changed since it was introduced.
- 1.5 Figure 1.1 sets out changes to 2021-22 resource funding since our previous two Fiscal Updates. The first of these was published alongside the introduction of the Scottish Budget Bill on 28 January 2021 and the second was published on 9 March 2021, to incorporate changes from the UK Budget and the Scottish Budget passing through Parliament to become an Act.

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

<sup>2</sup> Scottish Fiscal Commission (2021) Fiscal Update – March 2021 ([link](#))

<sup>3</sup> UK Government (2021) Main Supply Estimates 2021 to 22 ([link](#))

<sup>4</sup> Letter from the Cabinet Secretary for Finance and the Economy to the Committee, 16 June 2021 ([link](#))

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

£ million	28 January 2021	Changes up to 9 March 2021	Changes since 9 March 2021	Latest position
Barnett-determined block grant	30,923	0	0	30,923
Non-Barnett funding	756	-40	0	716
Non-COVID Barnett funding	0	+9	+25	34
COVID-19 funding [1]	1,828	+1,580	+1,175	4,583
SFC tax forecasts [2]	12,937	0	+92	13,029
Tax and non-tax BGAs	-12,430	0	0	-12,430
Social security BGAs	3,310	0	0	3,310
Final reconciliations	-319	0	0	-319
Resource borrowing	319	0	0	319
Resource reserve drawdown	231	0	+168	399
Other	246	0	+25	271
NDR distributable amount	2,631	-541	0	2,090
<b>Total resource funding</b>	<b>40,431</b>	<b>+1,008</b>	<b>+1,485</b>	<b>42,924</b>

Source: Scottish Fiscal Commission

Figures may not sum because of rounding.

[1] Changes to COVID-19 funding since 9 March 2021 includes £1,000 million which was allocated at the UK Government's Main Estimates and the Scottish Government's estimated £175 million funding based on further UK Government funding announcements.

[2] The £92 million increase is made up of £67 million increase for Land and Buildings Transaction Tax and £25 million increase for Scottish Landfill Tax.

**1.6** COVID-19 funding has increased by £1,175 million since our last Fiscal Update. Of this, £1,000 million was allocated by the UK Government in its 2021-22 Main Estimates.<sup>5</sup> An additional £175 million has been estimated by the Scottish Government based on further UK Government funding announcements, but the figure will not be confirmed until the UK Government's Supplementary Estimates, expected early 2022.<sup>6</sup>

**1.7** Capital funding has also increased since our March Fiscal Update as shown in Figure 1.2. This is largely because of an increase in non-Barnett funding. An explanation of non-Barnett funding can be found in our recent occasional paper: funding for the Scottish Budget.<sup>7</sup>

<sup>5</sup> UK Government (2021) Main Supply Estimates 2021 to 22 ([link](#))

<sup>6</sup> Letter from the Cabinet Secretary for Finance and the Economy to the Committee, 16 June 2021 ([link](#))

<sup>7</sup> Scottish Fiscal Commission (2021) Funding for the Scottish Budget ([link](#))

**Figure 1.2: Changes to 2021-22 capital funding**

£ million		28 January 2021	Changes up to 9 March 2021	Changes since 9 March 2021	Latest position
Capital (excluding financial transactions)	Barnett-determined block grant	4,973	0	0	4,973
	Non-Barnett funding [1]	0	0	+188	188
	Non-COVID Barnett funding	0	0	+34	34
	COVID-19 funding	0	+237	0	237
	Capital borrowing	450	0	0	450
	Capital reserve drawdown	0	0	0	0
	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	+42	+16	57
	Financial transaction reserve drawdown	200	0	0	200
	Other	0	0	0	0
<b>Total</b>	<b>Total</b>	<b>5,831</b>	<b>+278</b>	<b>+237</b>	<b>6,347</b>

Source: Scottish Fiscal Commission

Figures may not sum to totals because of rounding.

[1] Non-Barnett funding includes £75 million of reprofiled Network Rail funding and £113 million of city deal funding.

# Chapter 2

## 2020-21 Scottish Budget

### Introduction

- 1.8 We now turn to the previous year's budget, 2020-21. This Budget was first introduced to the Scottish Parliament on 6 February 2020 and has changed a great deal, as it was set before any funding had been introduced for the COVID-19 pandemic.
- 1.9 We have produced a number of Fiscal Updates to explain how funding in the 2020-21 Scottish Budget has changed through the year. Provisional outturn information for 2020-21 was announced by the Scottish Government on 17 June 2021, which means this Update is able to provide the near-final funding position and a summary of total changes to the Budget since it was introduced.<sup>8</sup>
- 1.10 Provisional outturn information is pre-audited and we expect the final outturn to be published between September and December 2021 at which point we will have a total picture of changes to the 2020-21 Scottish Budget through the year.

### Changes in funding since our last Fiscal Update

- 1.11 The resource funding position has been revised marginally since our last update in March 2021 as shown in Figure 2.1. We have aligned our January 2021 tax forecasts with provisional outturn information for Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT) and a small adjustment has been made to the reserve drawdown to bring it in line with provisional outturn figures.

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<sup>8</sup> Scottish Parliament (2021) Provisional Outturn Statement ([link](#))



**Figure 2.1: Changes to 2020-21 resource funding**

£ million	6 February 2020	Changes up to 9 March 2021	Changes since 9 March 2021	Latest position
Barnett-determined block grant	29,569	0	0	29,569
Non-COVID Barnett funding	142	+65	0	207
COVID-19 funding	0	+8,600	0	8,600
SFC tax forecasts [1]	13,123	-145	+12	12,989
Tax and non-tax BGAs	-12,991	+166	0	-12,825
Social security BGAs	3,203	-17	0	3,185
Final reconciliations	-177	0	0	-177
Resource borrowing	207	0	0	207
Resource reserve drawdown	106	+65	-0.4	171
Other	736	+42	0	778
NDR distributable amount	2,790	-922	0	1,868
<b>Total resource funding</b>	<b>36,707</b>	<b>+7,853</b>	<b>+11</b>	<b>44,572</b>

Source: Scottish Fiscal Commission

Figures may not sum to totals because of rounding.

[1] The £12 million change is aligning our January 2021 forecasts with provisional outturn for LBTT and SLFT.

- 1.12** As the Scottish Government receives funding from full devolved taxes directly, we have adjusted this funding in line with the provisional outturn.<sup>9</sup> Funding from Block Grant Adjustments is managed differently, aligning these with outturn will lead to final reconciliations, which will be applied to future Scottish Budgets.
- 1.13** Capital funding has not changed as significantly as resource during 2020-21 as shown in Figure 2.2. Since our last Update in March the position has changed to reflect provisional outturn, with greater drawdowns from the capital and financial transaction reserves and reduced capital borrowing.
- 1.14** Capital borrowing was initially planned to be £450 million when the Scottish Budget was set then reduced through the year, with actual borrowing of £200 million occurring at the end of the year, in February and March 2021. The flexibility to reduce capital borrowing can help the Scottish Government manage underspends, as reducing borrowing can either reduce surplus capital funding or remove capital funding from the Scotland Reserve, allowing more space for resource funding. We discuss capital borrowing more fully in our main forecast publication.<sup>10</sup>

<sup>9</sup> Fully devolved taxes includes Land and Buildings Transaction Tax and Scottish Landfill Tax. Income tax is not adjusted here as it remains fixed until a final reconciliation is calculated and applied to 2023-24.

<sup>10</sup> Scottish Fiscal Commission (2021) Scotland's Economic and Fiscal Forecasts ([link](#))

**Figure 2.2: Changes to 2020-21 capital funding**

£ million		6 February 2020	Changes up to 9 March 2021	Changes since 9 March 2021	Latest position
Capital (excluding financial transactions)	Barnett-determined block grant	4,408	0	0	4,408
	Non-COVID Barnett funding	326	+152	0	478
	COVID-19 funding	0	0	0	0
	Capital borrowing	450	-150	-100	200
	Capital reserve drawdown	5	+60	+15	80
	Other	15	-75	0	-60
	Financial transactions	Barnett-determined block grant	606	0	0
	Non-COVID Barnett funding	0	+5	0	5
	COVID-19 funding	0	0	0	0
	Financial transaction reserve drawdown	32	-50	+18	0
	Other	-25	0	0	-25
<b>Total</b>	<b>Total</b>	<b>5,817</b>	<b>-58</b>	<b>-67</b>	<b>5,692</b>

Source: Scottish Fiscal Commission

Figures may not sum to totals because of rounding.

# Additional Information

## Abbreviations

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BGA	Block Grant Adjustment
COVID-19	Coronavirus
LBTT	Land and Buildings Transaction Tax
SFC	Scottish Fiscal Commission
NDR	Non Domestic Rates
OECD	Organisation for Economic Cooperation and Development
SLfT	Scottish Landfill Tax
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>11</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>12</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>11</sup> OECD (2014) Recommendation on Principles for Independent Fiscal Institutions ([link](#))

<sup>12</sup> Scottish Fiscal Commission (2018) Compliance with the Code of Practice for Official Statistics ([link](#))

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