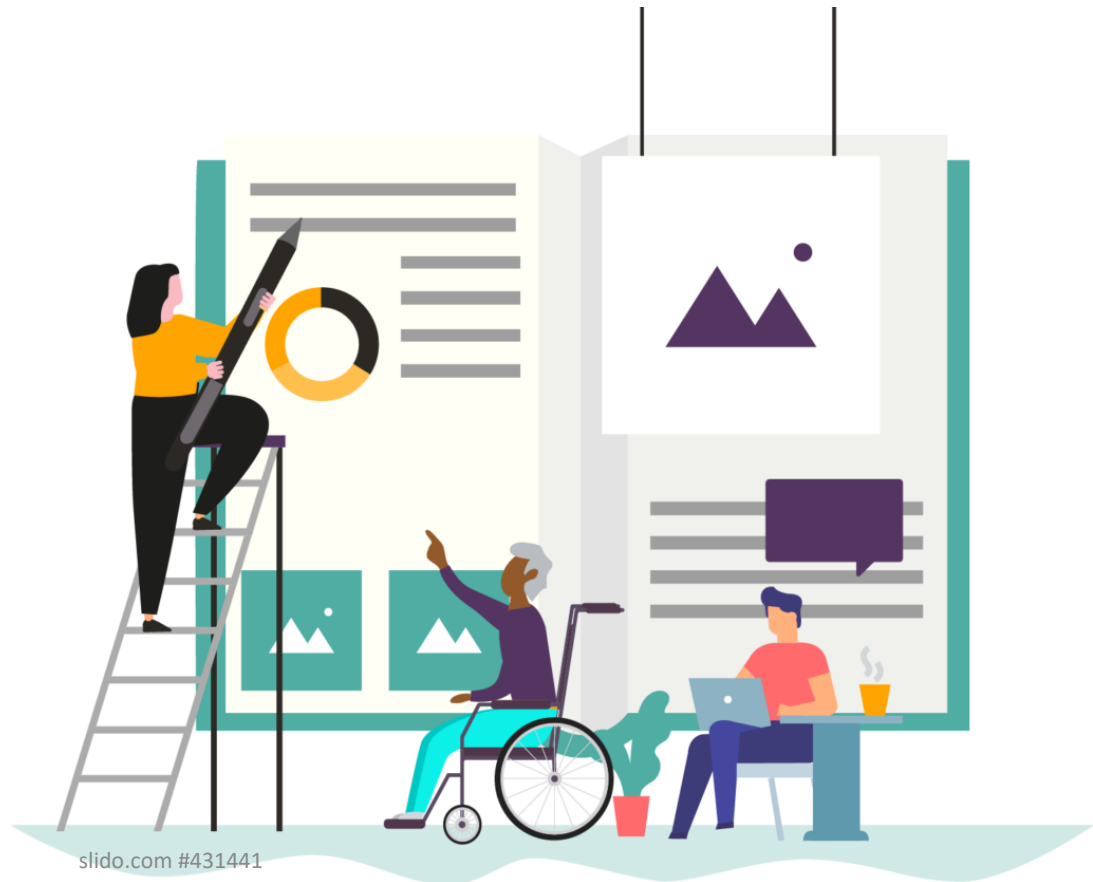


December 2021

Budget 2022-23 Public Information Event

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Scottish Economic and Fiscal Forecasts

Overview

- COVID-19 and Omicron
- The 2022-23 Scottish Budget
- The five year outlook
 - Economy
 - Tax revenue
 - Social security
 - Fiscal overview

COVID-19

COVID-19 and Omicron

- Our forecasts are based on an assumption that COVID-19 restrictions remain low in the coming months, and largely removed by April 2022
- So far, there is limited information available on how Omicron might affect restrictions or the economy
- We think it's reasonable to assume that Omicron remains within our central judgements, as set out in our report
- Downside risk to the forecasts of new restrictions being imposed higher than without Omicron

The 2022-23 Scottish Budget

2021-22 and 2022-23 Budget

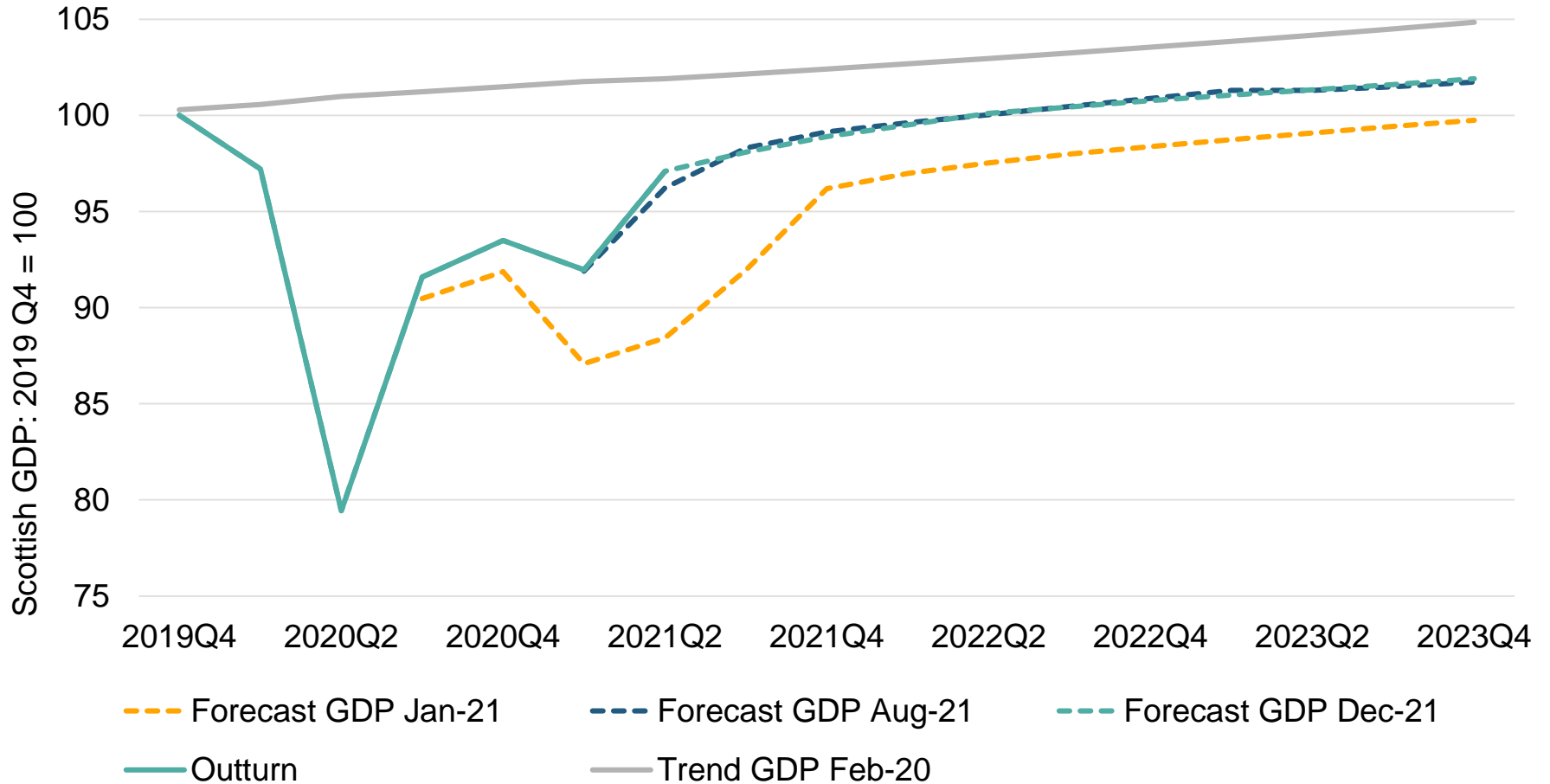
	£ million	2021-22	2022-23
Resource	UK Government Block Grant Funding (Barnett and non-Barnett)	31,672	35,026
	COVID-19 funding	4,924	0
	Overall effect of tax and social security	5,662	6,220
	Borrowing and Reserve drawdown	721	15
	Other funding	271	742
	Total resource funding	43,250	42,002
Capital	UK Government Block Grant Funding (Barnett and non-Barnett)	5,786	5,578
	Borrowing and Reserve drawdown	601	629
	Other funding	0	144
	Total capital funding	6,387	6,351
Total	Total Scottish Budget	49,637	48,353
	Increase in nominal terms		-2.6%
	Increase in real terms	slido.com #431441	-5.2%

Key policy announcements

£ million	2022-23	2023-24	2024-25	2025-26	2026-27
Tax					
Income tax – higher rate threshold frozen	106	106	111	117	124
NDR – RHL relief	-56	0	0	0	0
NDR – poundage 49.8p	-40	-43	-42	-41	-44
Social Security					
Adult Disability Payment	-38	-233	-358	-458	-567
Scottish Child Payment rising to £20	-103	-184	-183	-185	-186
Other Social Security	-37	-22	-22	-22	-22

The five year outlook: economy

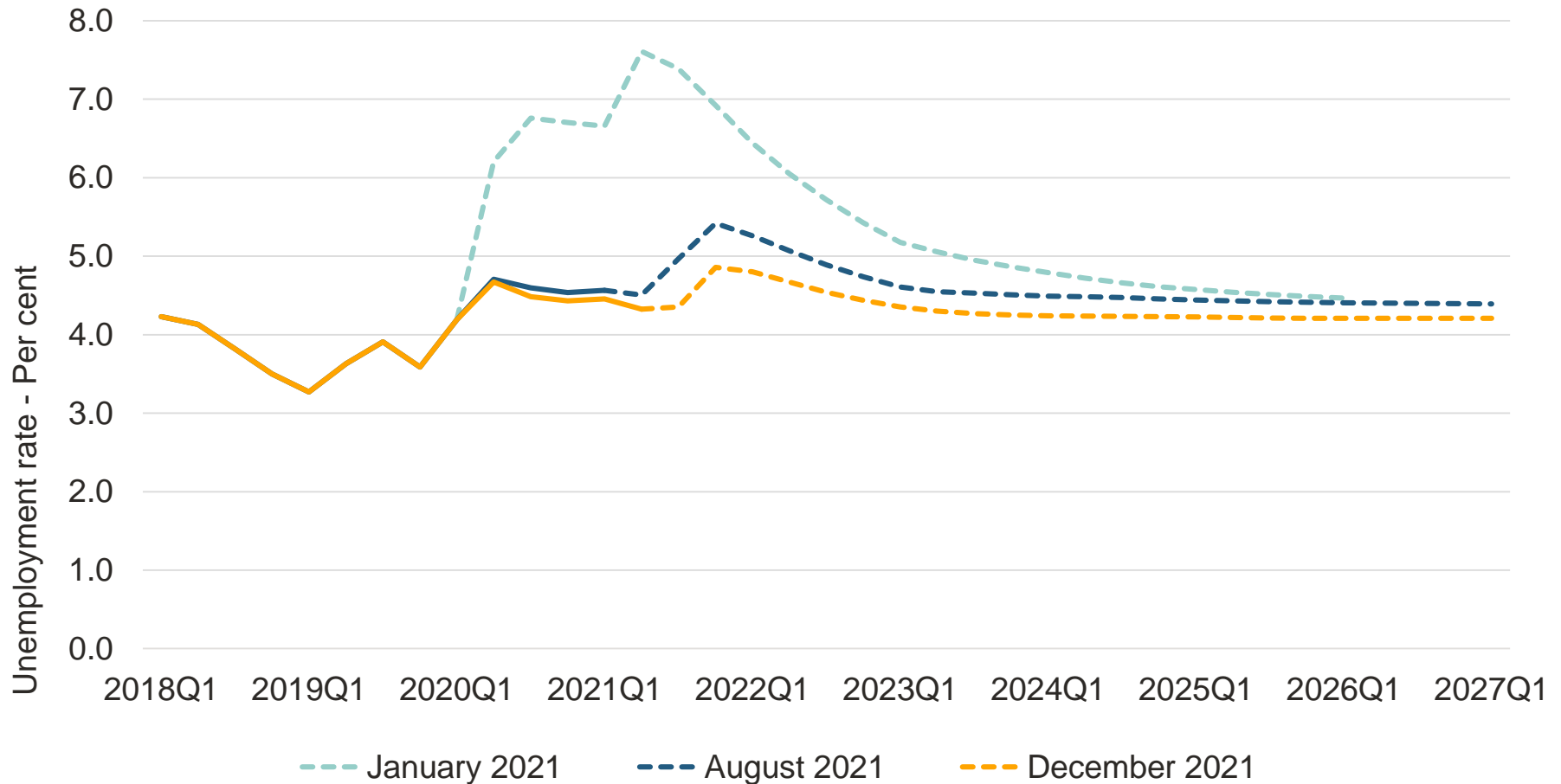
Faster economic recovery



Broadly in line with other forecasters, slightly slower in 2022

Per cent	2021	2022	2023	2024	2025	2026
Scotland						
SFC December 2021	6.7	3.8	1.3	1.3	1.4	1.4
FAI September 2021	6.5	4.8				
UK						
OBR October 2021	6.5	6.0	2.1	1.3	1.6	1.7
NIESR November 2021	6.9	4.7	1.7	1.3	1.4	1.3
BoE November 2021	7.0	5.0	1.5	1.0		
HMT average of forecasters Nov 2021	7.0	5.0				

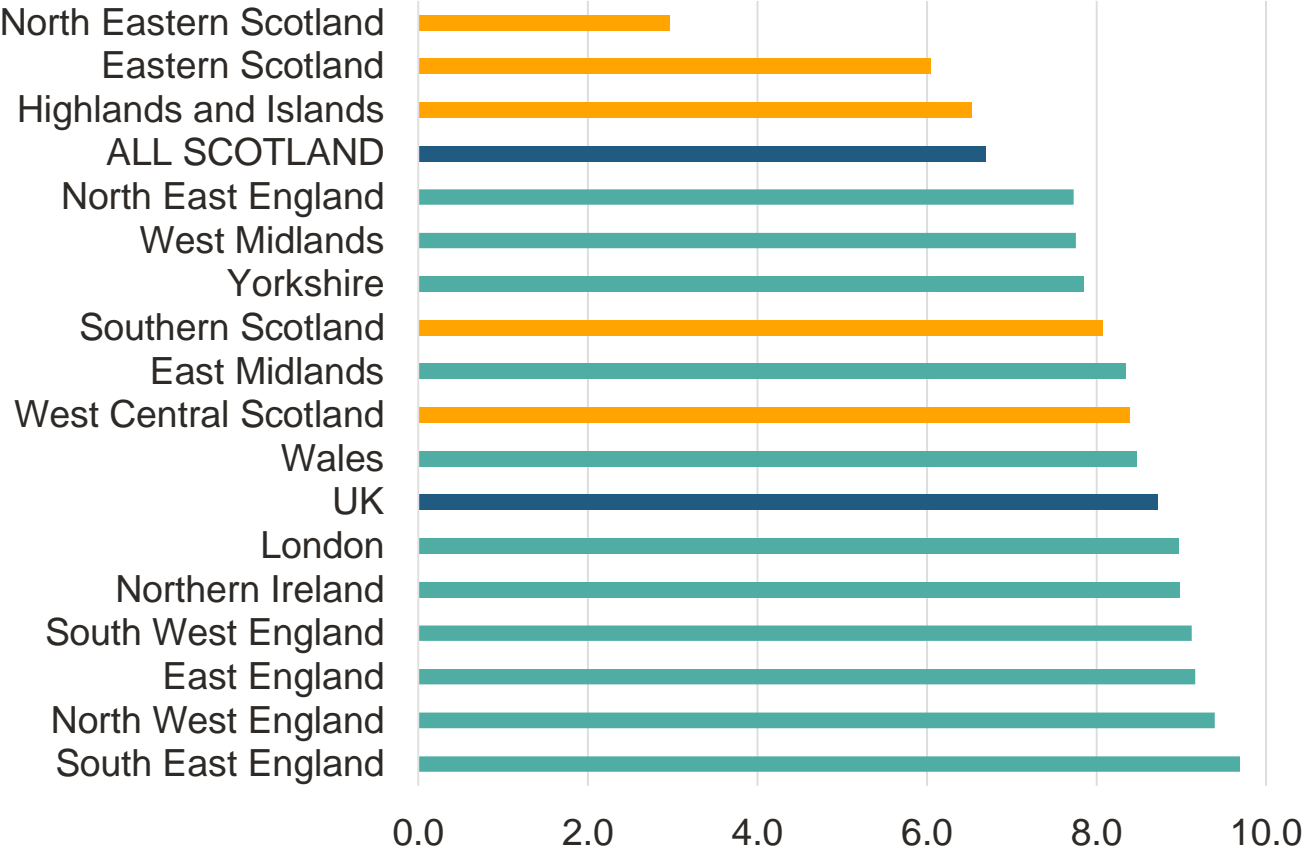
More resilient labour market: Lower unemployment peak



Higher and more sustained inflation

Per cent	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Consumer Price Index inflation							
January 2021	0.6	1.4	1.6	1.8	1.9	2.0	
December 2021	0.6	3.3	3.7	2.3	2.0	2.0	2.0

Scotland's total earnings have grown more slowly than in the UK



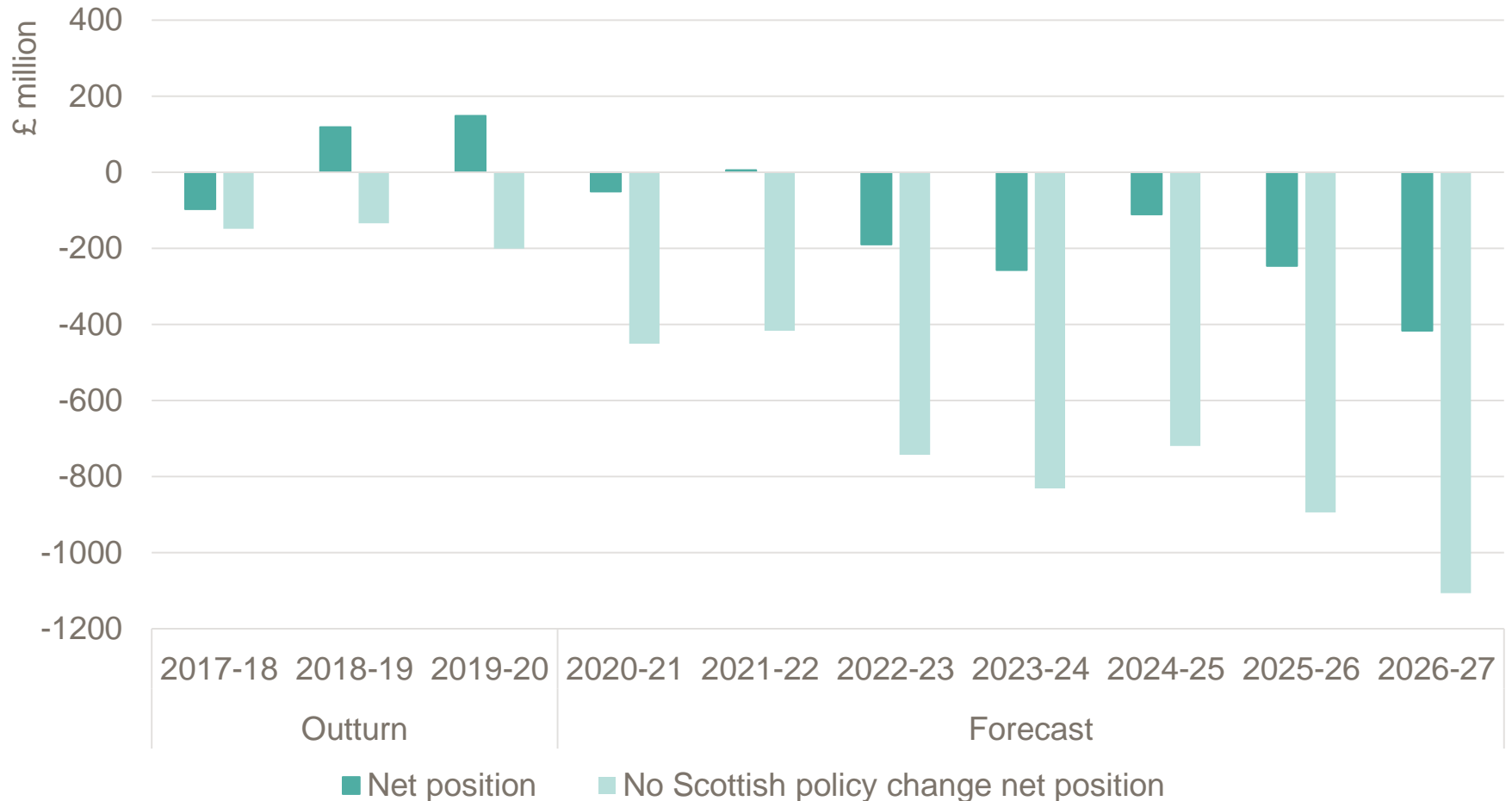
% change in RTI total earnings between Feb-20 and Sept-21

The 5-year outlook: Tax revenues

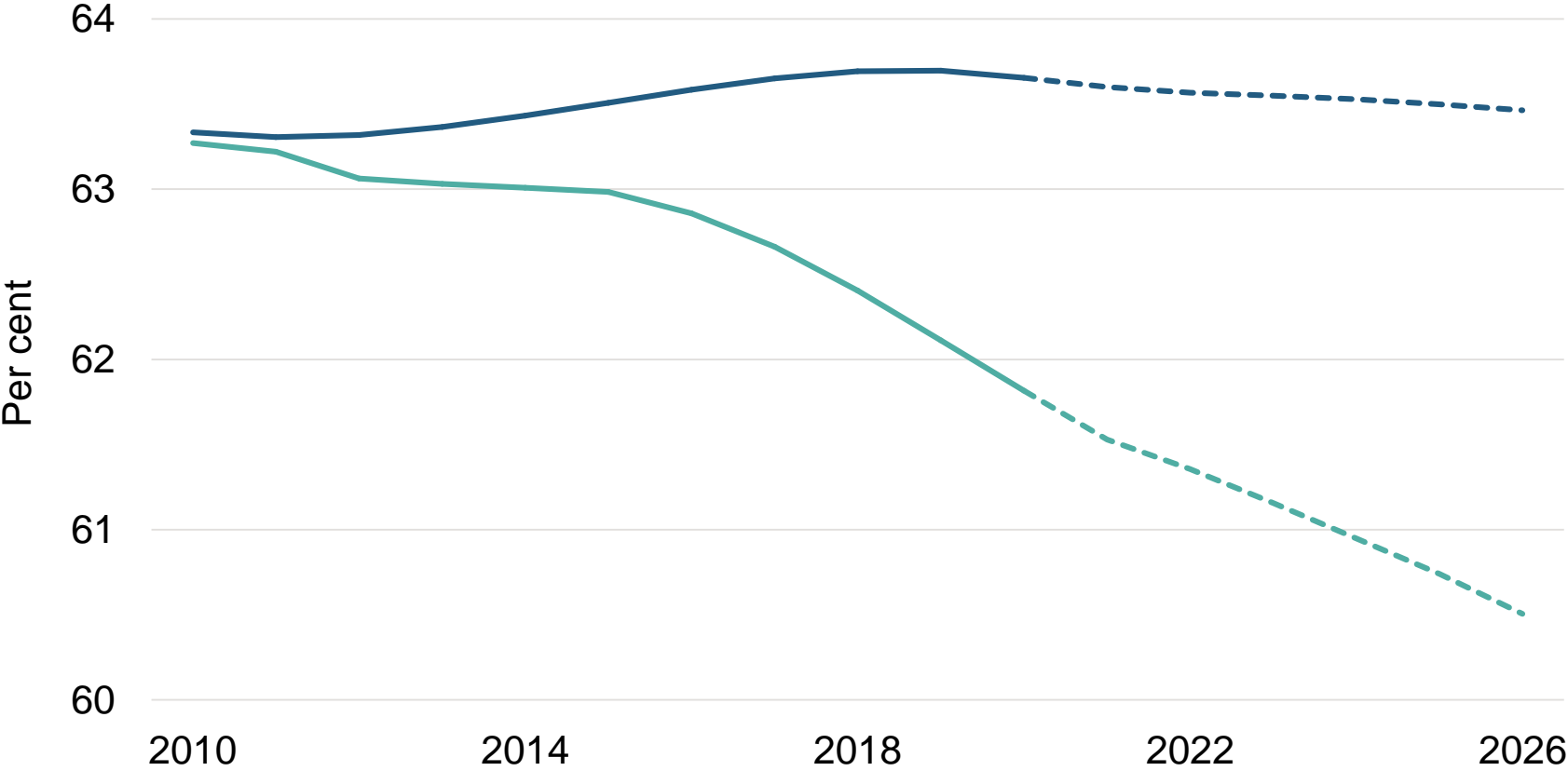
Tax net positions

£ million	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Income Tax	6	-190	-257	-111	-246	-417
LBTT	101	86	108	122	128	122
SLfT	34	18	1	9	1	-60
Total taxes	140	-86	-148	20	-117	-355

Income tax: negative net position



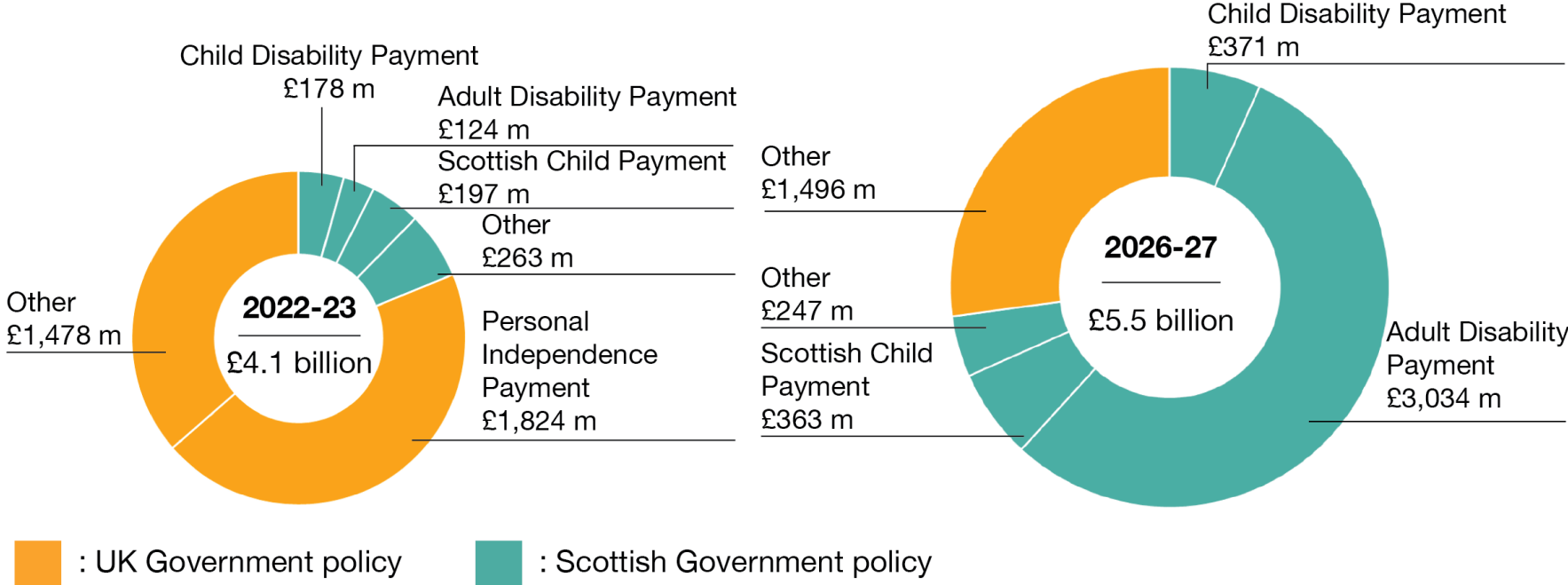
Divergence in labour market participation



--- Scotland - - - UK

The 5-year outlook: Social Security

Social security spending rising significantly



Scottish Child Payment

Number of children receiving Scottish Child Payment

2021-22: **£10 per child/per week**

107,000 children

Total cost: **£56 million**



2023-24: **£20.80 per child/per week**

333,000 children

Total cost: **£362 million**



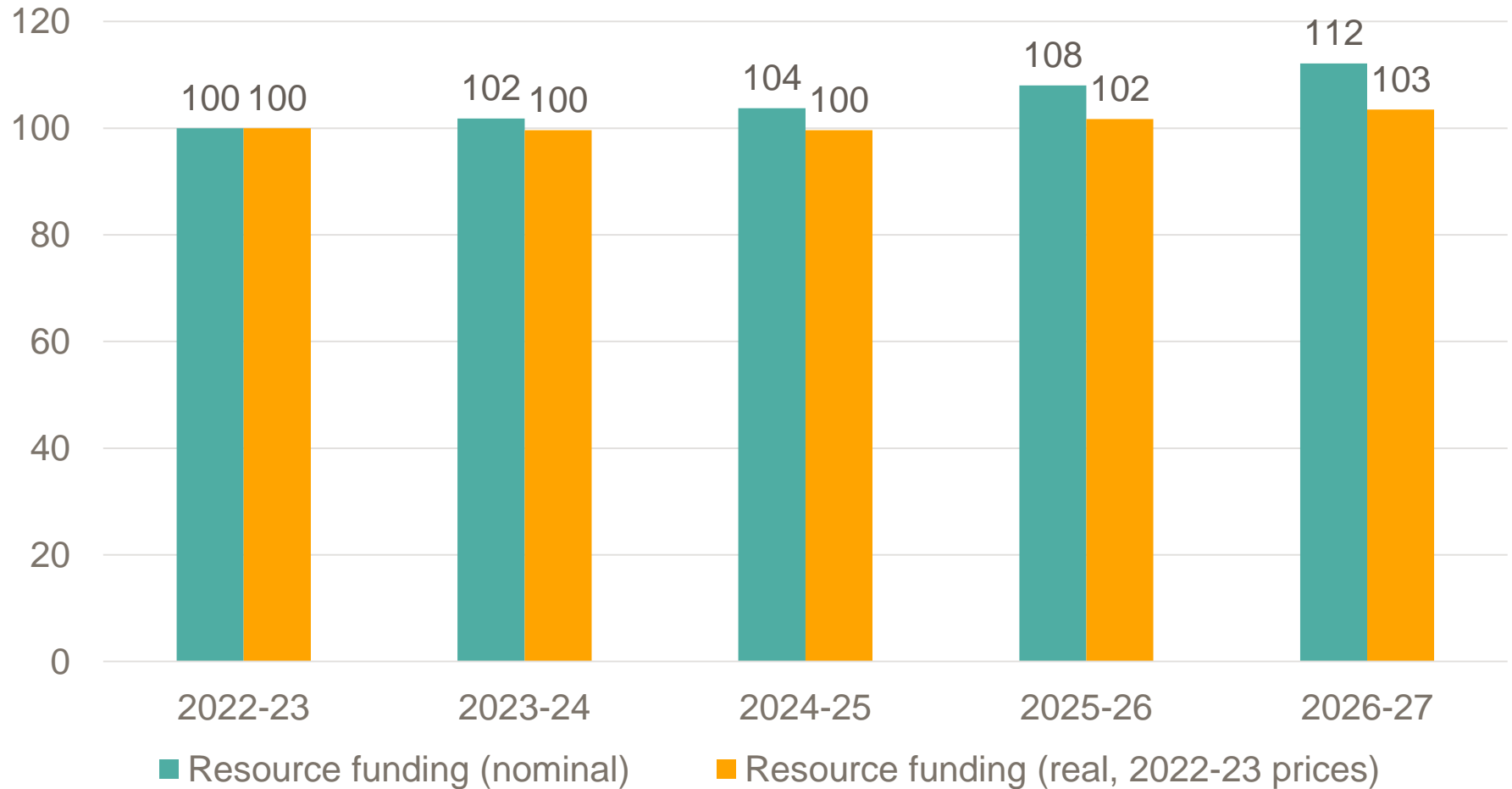
: 10,000 children : Current policy for children under 6 : Extension to age 16
 : Changes to Universal Credit : Higher take-up

Social security spending rising significantly, above Block Grant funding

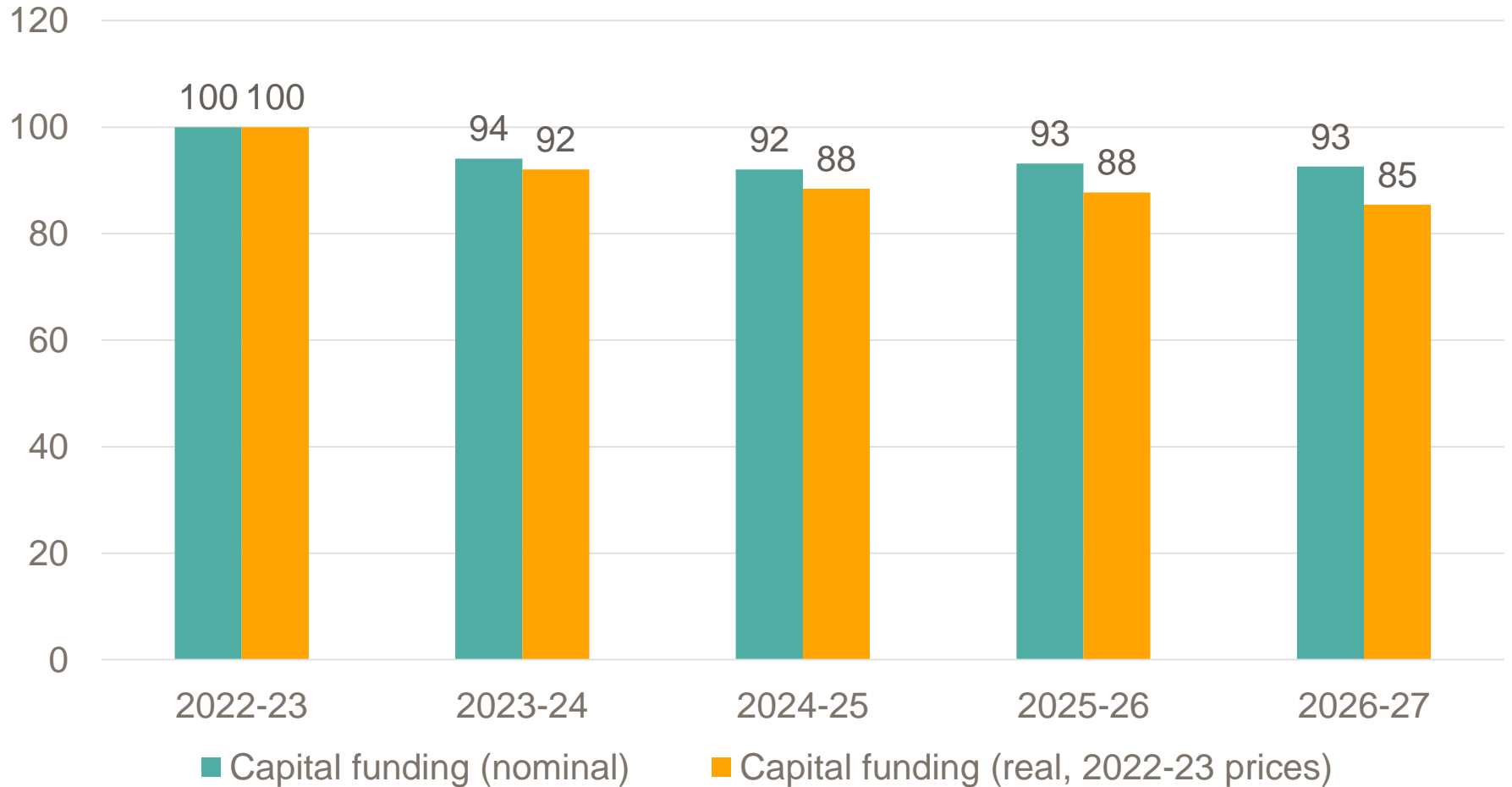
£ million	2022-23	2023-24	2024-25	2025-26	2026-27
Social security net position	-38	-176	-253	-255	-252
Social security new payments	-322	-493	-496	-503	-512
Total	-361	-669	-749	-758	-764

The 5-year outlook: The Fiscal Overview

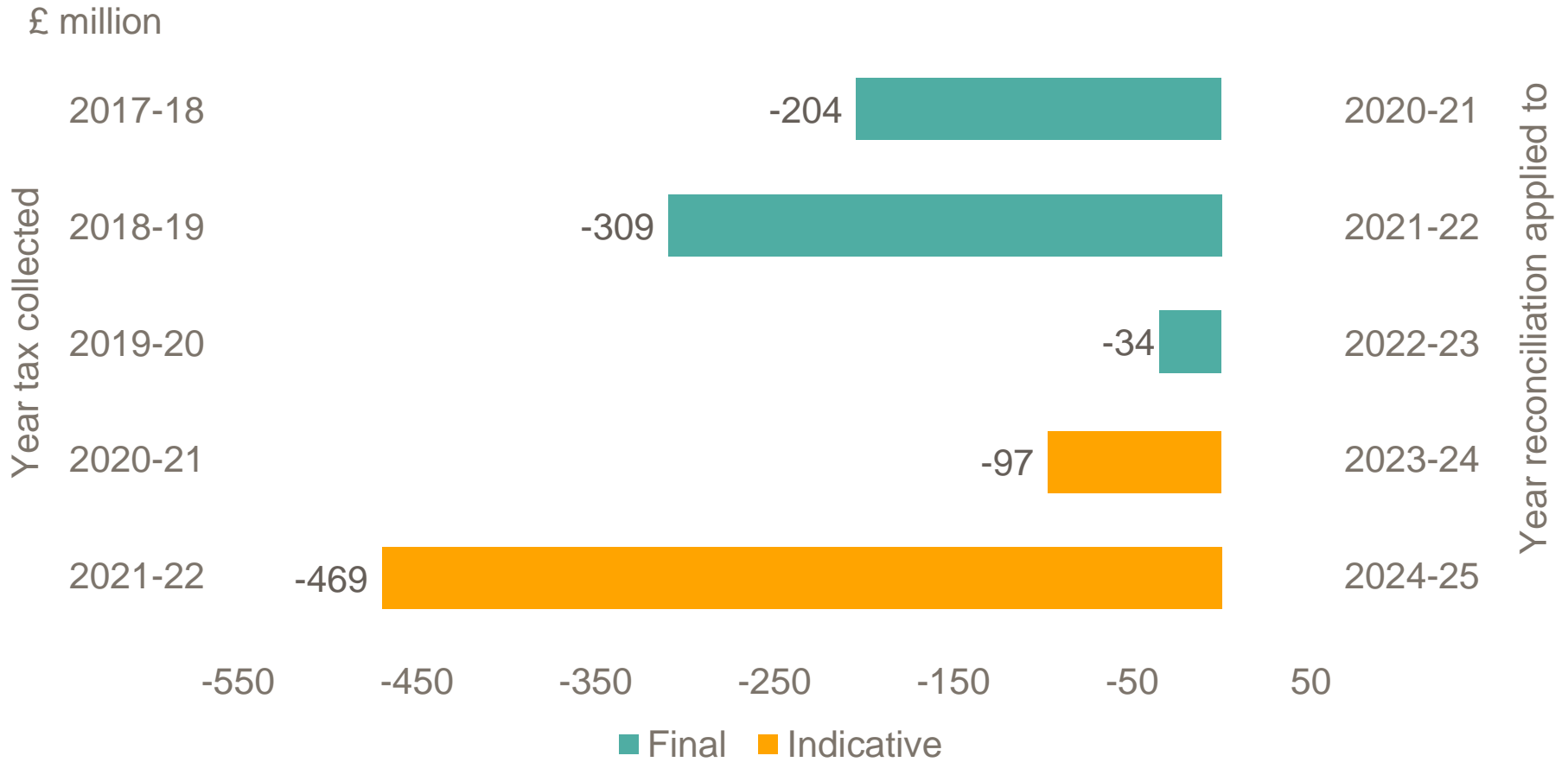
Resource funding



Capital funding



Borrowing and resource management: Reconciliations



Borrowing and resource management: limits

	£ million	2021-22 to 2023-24	2024-25 onwards
Borrowing	Annual resource borrowing limit	600	300
	Overall resource borrowing limit	1,750	1,750
	Annual capital borrowing limit	450	450
	Overall capital borrowing limit	3,000	3,000
Scotland Reserve	Resource annual drawdown limit	No limit	250
	Capital annual drawdown limit	No limit	100
	Overall limit	700	700

