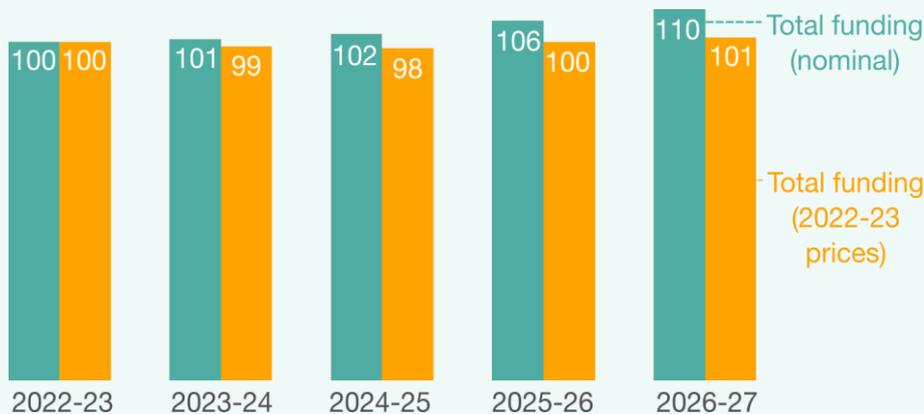


Expected Scottish Budgets flat after inflation

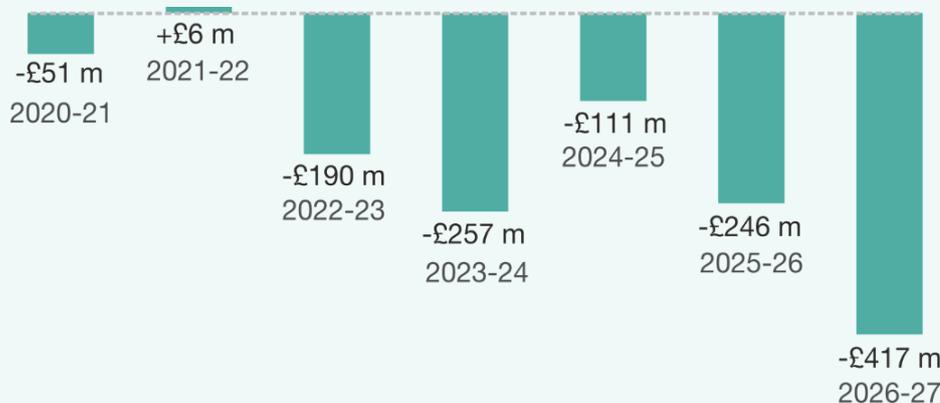


Fiscal Overview

We expect the Scottish Budget to increase by 10 per cent in cash terms between 2022-23 and 2026-27. After adjusting for inflation, this increase is 1 per cent.

Resource funding is expected to increase and capital funding to fall, as a result of changes in funding from the UK Government.

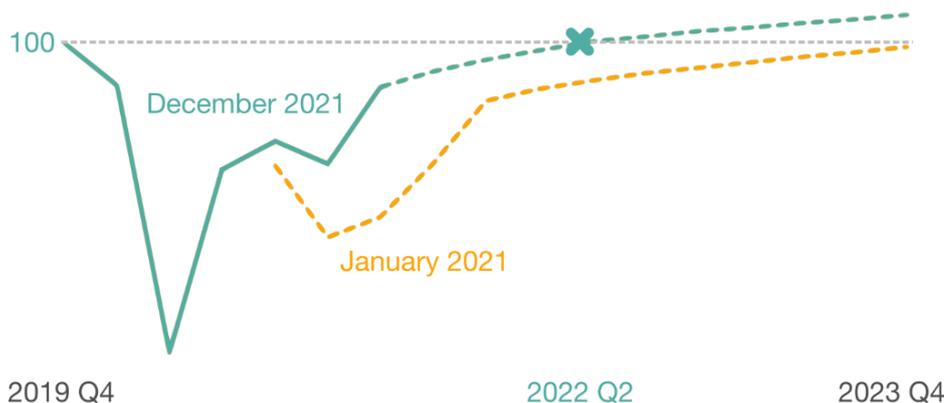
Income tax funding shortfalls forecast



Scottish income tax revenues growing more slowly than the income tax Block Grant Adjustment means a negative net position and funding shortfall of £190 million in 2022-23.

This funding shortfall is expected to continue, reaching £417 million by 2026-27.

Return to pre-pandemic GDP revised since last Budget

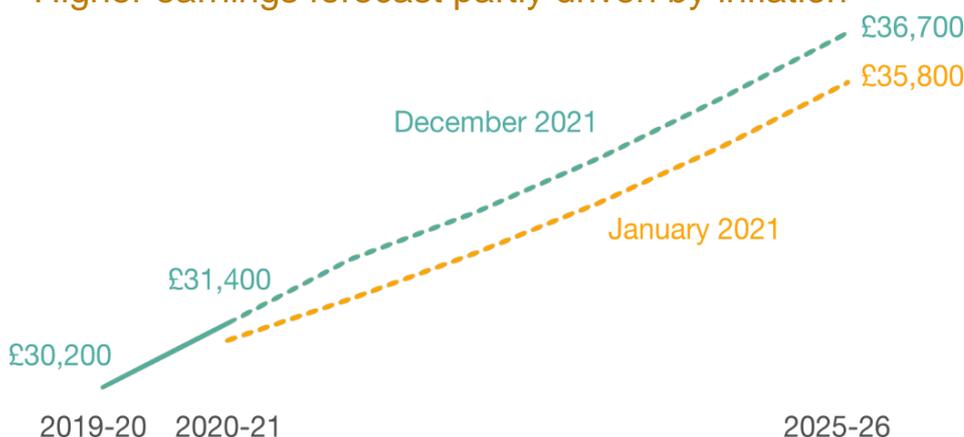


Economy

Since January, the outlook for the economy has improved, with GDP set to return to pre-pandemic levels by 2022 Q2.

This is because restrictions were lifted faster than anticipated and the economy adapted faster to restrictions than expected.

Higher earnings forecast partly driven by inflation



Our December 2021 forecast for nominal average earnings is higher than in January 2021.

As well as higher inflation, this reflects wage pressures because of labour shortages in particular industries and increases in the minimum wage.

Income tax forecast for 2022-23 increased since



Tax

Our income tax forecast for 2022-23 has increased by £764 million compared to January 2021 driven by more resilient economic performance.

Freezing the higher rate threshold raises an additional £106 million in revenues in 2022-23.

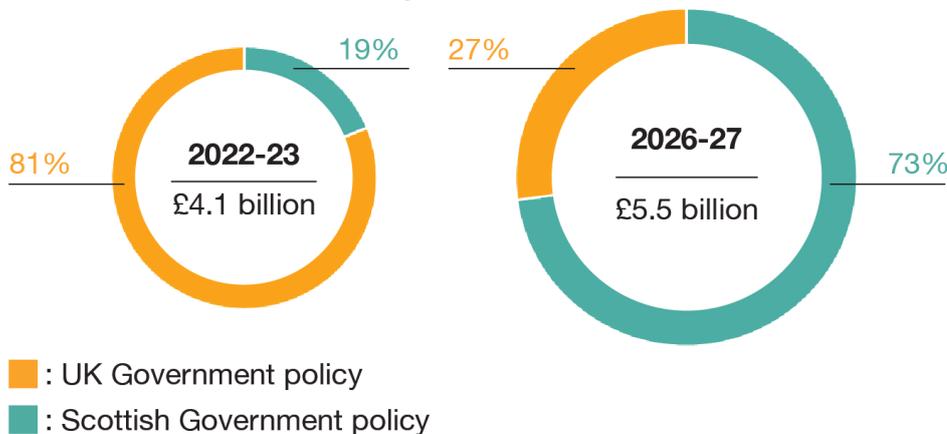
House price forecast revised up in line with income



We expect higher house prices in Scotland than in our previous forecast resulting from increased housing market activity since January 2021, as well as rising inflation feeding through to earnings.

As a result we have revised up our residential LBTT and ADS forecast.

Social Security spending

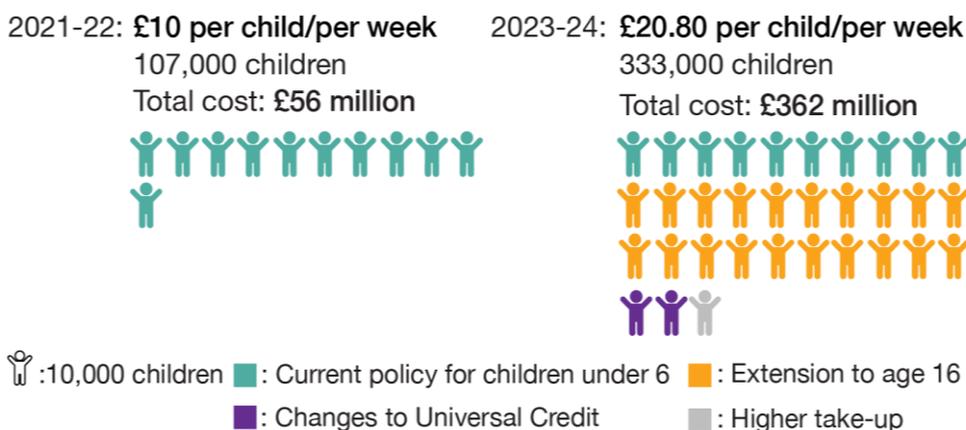


Social Security

Over time Social Security Scotland will administer more payments directly following the launch of the Adult and Child Disability Payments.

Spending on Scottish Government payments also increases as payment rates rise and the Scottish Child Payment extends to children under 16.

Number of children receiving Scottish Child Payment



The number of children receiving Scottish Child Payment will peak in 2023 after the payment extends to children under 16.

We expect changes to Universal Credit will increase the number of eligible children and doubling the payment will encourage more people to apply.