

2022-23 Provisional Outturn Briefing Note

July 2023

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15 June 2023

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Provisional Outturn – HM Treasury Budgets

1. The 2022-23 provisional HM Treasury fiscal outturn is £46.9 billion against a fiscal budget of £47.1 billion. The remaining funding of £244 million (which represents 0.5% of the total budget) has been carried forward within the Scotland Reserve, table 1 provides further detail.
2. The majority of this carry forward was anticipated and is already included in 2023-24 funding plans, specifically:
 - £39 million anticipated within the 2023-24 Budget (published in December 2022); and
 - £115 million of additional funding announced (at stage 3 of the Budget Bill on 21 February 2023) by the Deputy First Minister to further support Local Government, Creative Scotland and the inter-island ferry network.
3. An element of our budget allocation from HM Treasury is non-cash, which is used for accounting adjustments, predominantly depreciation. This underspend is £984 million. It is not possible to use this ring-fenced non-cash budget to support any day-to-day spending. Non-cash funding does not flow to the Scotland Reserve and is not included in our headline provisional outturn results.

Table 1: 2022-23 Provisional Outturn HM Treasury Budget Variances by Portfolio

2022-23 Provisional Outturn Fiscal Variances by Portfolio - HM Treasury Controls						
Portfolio	Resource	Capital	FTs	Total	Non-Cash	Total
	£m	£m	£m	£m	£m	£m
Finance and Economy	12	(26)	(42)	(56)	(7)	(63)
Health and Social Care	1	(36)	(2)	(37)	(3)	(40)
Education and Skills	(94)	(36)	0	(130)	403	273
Net Zero Energy and Transport	(33)	(244)	2	(275)	1	(274)
Constitution External Affairs and Culture	(2)	(4)	0	(6)	1	(5)
Justice and Veterans	(31)	(1)	0	(32)	0	(32)
Rural Affairs and Islands	(5)	(10)	1	(14)	(2)	(16)
Social Justice Housing and Local Government	52	(5)	(81)	(34)	(19)	(53)
Deputy First Minister and Cabinet Secretary for Covid Recovery	(5)	4	0	(1)	0	(1)
The Crown Office and Procurator Fiscal	(1)	0	0	(1)	0	(1)
Total Scottish Government	(106)	(358)	(122)	(586)	374	(212)
Other Bodies within the Scottish Administration	(7)	2	0	(5)	(6)	(11)
Total Scottish Administration	(113)	(356)	(122)	(591)	368	(223)
Other Bodies funded directly from the Scottish Budget	(2)	0	0	(2)	0	(2)
Total Scottish Budget	(115)	(356)	(122)	(593)	368	(225)
Funding Adjustments*	(65)	331	83	349	(1,352)	(1,003)
Provisional Outturn	(180)	(25)	(39)	(244)	(984)	(1,228)

* Funding adjustments relate to adjustments made after conclusion of the Spring Budget Review which are not included in portfolio allocations.

Scottish Income Tax

- The Scottish Parliament set the following rates and bands of Scottish Income Tax for 2022-23:

Table 2: Scottish Income Tax Rates

Bands	Band Name	Rate
£12,571 - £14,732	Starter Rate	19%
£14,733 - £25,688	Basic Rate	20%
£25,689 - £43,662	Intermediate Rate	21%
£43,663 - £150,000	Higher Rate	41%
Over £150,000	Top Rate	46%

5. As noted in the 2023 Medium Term Financial Strategy¹, although tax performance remains a key risk to the resource funding position, recent evidence across a range of indicators suggests that Income Tax performance is improving.
6. Provisional in-year Pay As you Earn (PAYE) tax data for the first 11 months of 2022-23 suggest that growth in Scottish PAYE income tax receipts has outperformed the rest of the UK.
7. The strong Real Time Information (RTI) tax data is reflected in the latest Scottish Fiscal Commission (SFC) forecasts from May 2023, with income tax receipts expected to grow strongly by 10% to **£14,764 million** in 2022-23.
8. According to the latest SFC/Office for Budget Responsibility (OBR) forecasts, the **net position in 2022-23** is expected to be negative at **-£102 million**, compared to -£190 million when the Budget was set. However, this forecast improvement has no impact on our spending power in 2022-23 as figures for Income Tax are "locked in" until outturn becomes available and the final reconciliations are calculated.
9. On current forecasts, a **positive £88 million reconciliation** is expected to be applied to the 2025-26 Budget.

Borrowing

10. The Scottish Government borrowed £47 million for resource expenditure and £300 million for Capital expenditure in 2022-23.
11. Capital Borrowing drawdown decisions are always taken in the light of the in-year budget management position and are finalised at the very end of the financial year to ensure maximum fiscal flexibility.
12. The Medium-Term Financial Strategy sets out the Scottish Government's overall approach to Capital and Resource Borrowing and our outturn amounts remain within these borrowing policy approaches.
13. The Capital Borrowing policy seeks to maximise the limitations of the fiscal framework in a fiscally sustainable way to ensure it continues to support the National Infrastructure Mission while also providing long-term fiscal sustainability.

¹ [The Scottish Government's Medium-Term Financial Strategy - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/mtfs2023/pages/introduction.aspx)

14. In the 2023 MTFS we outlined a slight change in our policies towards Resource Borrowing and Scotland Reserve use. This new policy will ensure all discretionary fiscal tools such as Resource Borrowing and the Scotland Reserve will be used to:
 - a. Ensure a balanced budget by the end of each financial year.
 - b. Mitigate volatility in the medium-term resource funding outlook.

Social Security

15. In 2022-23, Social Security Scotland administered 13 benefits; Carer's Allowance Supplement, Best Start Foods, Best Start Grant – Pregnancy and Baby Payment, Best Start Grant – Early Learning Payment, Best Start Grant – School Age Payment, Funeral Support Payment, Young Carer Grant, Job Start Payment, Scottish Child Payment, Child Winter Heating Assistance, Child Disability Payment, Adult Disability Payment and Winter Heating Payment.
16. In 2022-23, the Department for Work and Pensions administered 6 benefits under agency agreements on Social Security Scotland's behalf: Carer's Allowance, Personal Independence Payment, Attendance Allowance, Industrial Injuries Disability Scheme, Severe Disablement Allowance, and Disability Living Allowance.
17. As a result of the Social Security Programme re-planning to support delivery timelines, total expenditure was £176.4 million, £3.4 million higher than budget.
18. During 2022-23 we have launched Adult Disability Payment and Winter Heating Payment nationally, as well as extended Scottish Child Payment to under 16s and increased its value to £25, while continuing to develop systems and capability to support delivery of the remainder of the devolved benefits outlined in the Social Security (Scotland) Act 2018.

Scotland Reserve

19. The Scotland Reserve provides the Scottish Government with a limited facility to manage the smoothing of all types of spending, assist the management of tax volatility and determine the timing of expenditure.
20. The Reserve is split between Fiscal Resource and Fiscal Capital and is capped in aggregate at £700 million.
21. In normal times, annual drawdowns from the Reserve are limited to £250 million for Fiscal Resource and £100 million for Fiscal Capital (including Financial Transactions) in any given year.

22. However, in the event of a 'Scotland-specific economic shock', this cap on draw down does not apply.

23. The Scotland Reserve position as at 31 March 2023 is shown below.

Table 3: Scotland Reserve – 2022-23

	Resource £million	Capital £million	FT £million	Fiscal £million
2019-20 Opening balance	(381.1)	(65.3)	(158.6)	(605.0)
2019-20 Drawdowns	248.8	60.0	120.0	428.8
2019-20 Additions	(85.1)	(74.3)	(96.9)	(256.3)
2019-20 Closing balance	(217.4)	(79.6)	(135.5)	(432.5)
2020-21 Opening balance	(217.4)	(79.6)	(135.5)	(432.5)
2020-21 Drawdowns	170.6	79.6		250.2
2020-21 Additions	(357.9)	(6.8)	(61.4)	(426.1)
2020-21 Closing balance	(404.7)	(6.8)	(196.9)	(608.4)
2021-22 Opening balance	(404.7)	(6.8)	(196.9)	(608.4)
2021-22 Drawdowns	404.7	6.8	196.9	608.4
2021-22 Additions	(605.0)	(81.0)	(14.0)	(700.0)
2021-22 Closing balance	(605.0)	(81.0)	(14.0)	(700.0)
2022-23 Opening balance	(605.0)	(81.0)	(14.0)	(700.0)
2022-23 Drawdowns	605.0	81.0	14.0	700.0
2022-23 Additions	(180.6)	(24.7)	(39.0)	(244.3)
2022-23 Closing balance	(180.6)	(24.7)	(39.0)	(244.3)

Provisional Outturn – Budget Act

24. Under the Scotland Act 1998, the approval of expenditure is the responsibility of the Scottish Parliament. This responsibility requires the Parliament to set a limit on both the total amount of cash and the total level of resources that the Scottish Government can use. Approval for the final 2022-23 Budget was sought in the Spring Budget Revision laid in February 2023.

25. The largest element of the budget approved by the Scottish Parliament is accounted for within HM Treasury budgetary control totals. Parliamentary budgets also include funding provided annually by HM Treasury (Annually Managed Expenditure or AME) and other budgets which are not subject to the same annual limits.

26. Such budgets can only be used for specific spending, and any under/overspends cannot be deposited in the Scotland Reserve and have no subsequent impact on the Scottish Budget. Variances of this type are generally accounting items such as provisions, NHS impairments and student loans adjustments. These budgets are not available to buy public goods and deliver services.
27. This statement of Provisional Outturn will be followed by reporting on Outturn against the 2022-23 Budget Act limits in a suite of annual accounts which together report on the total Scottish Budget approved by the Scottish Parliament:
- The Annual Accounts of the Scottish Government (and of individual bodies funded from the Scottish Budget) will report on their expenditure compared to the allocation by Budget Act. The annual Scottish Government Consolidated Accounts will be published later in the year.
 - There will be a separate additional account reporting on the devolved taxes, showing what was raised and paid into the Scottish Consolidated Fund and was available to fund the activities authorised in the Budget Act.
 - The Devolved Taxes Accounts will link to the Account of the Scottish Consolidated Fund, which is a cash account showing all sources of funding, including devolved taxes, to the Scottish Consolidated Fund; these accounts also show the drawdown of funding by the Scottish Government and bodies funded via the Scottish Budget.
 - A Statement of Total Outturn for the financial year 2022-23 against the final budget for the Scottish Administration as a whole will also be provided to the Scottish Parliament later this year.
28. Table 4 below confirms the overall provisional HM Treasury fiscal outturn variance of £244 million. The footnotes explain the main contributory factors to the different level of reported variances against Parliamentary control totals.
- HMT Budget Variance – is the difference between actual outturn and budget for resource, capital and financial transactions which is reported to HMT. Note the funding adjustments in the table relate to changes to funding post conclusion of the Spring Budget Revision and forms part of the overall Scotland Reserve.
 - Non-Cash - used for accounting adjustments, predominantly depreciation. It is not possible to use this ring-fenced non-cash budget to support any day-to-day spending.

- NDPBs / Other Bodies – The Scottish Government Consolidated Accounts includes the grant in aid to the Scottish Government sponsored bodies. To reconcile this to HMT Treasury reporting the grant in aid is removed and replaced with the actual expenditure in those bodies.
- AME / Other – refers to Annually Managed Expenditure and Outside Departmental Expenditure which does not form part of our Scotland Reserve limit and therefore is removed.

Table 4: Reconciliation between Provisional HM Treasury Budget Variances and Scottish Budget Variances (as approved by the Scottish Parliament)

2022-23 Provisional Outturn to Scottish Budget Variance as at Provisional Outturn						
Portfolio	HMT Budget Variance	Non-Cash	HMT Budget Variance (incl. non-cash)	NDPBs / Other Bodies	AME / Other	Scottish Budget Variance
	£m	£m	£m	£m	£m	£m
Finance and Economy	(56)	(7)	(63)	(24)	(43)	(130)
Health and Social Care	(37)	(3)	(40)	8	(17)	(49)
Education and Skills	(130)	403	273	76	(404)	(55)
Net Zero Energy and Transport	(275)	1	(274)	121	8	(145)
Constitution External Affairs and Culture	(6)	1	(5)	2	(1)	(4)
Justice and Veterans	(32)	0	(32)	1	0	(31)
Rural Affairs and Islands	(14)	(2)	(16)	0	0	(16)
Social Justice Housing and Local Government	(34)	(19)	(53)	0	80	27
Deputy First Minister and Cabinet Secretary for Covid Recovery	(1)	0	(1)	0	0	(1)
The Crown Office and Procurator Fiscal	(1)	0	(1)	0	0	(1)
Total Scottish Government	(586)	374	(212)	184	(377)	(405)
Other Bodies within the Scottish Administration	(5)	(6)	(11)	0	0	(11)
Total Scottish Administration	(591)	368	(223)	184	(377)	(416)
Other Bodies funded directly from the Scottish Budget	(2)	0	(2)	0	0	(2)
Total Scottish Budget	(593)	368	(225)	184	(377)	(418)
Funding Adjustments*	349	(1,352)	(1,003)			
Provisional Outturn	(244)	(984)	(1,228)			

* Funding adjustments relate to adjustments made after conclusion of the Spring Budget Review which are not included in portfolio allocations.

Differences between HMT budget and Scottish Budget due to - (a) A combination of adjustments relating to Non-Departmental Public Bodies (NDPBs) for which all income and expenditure is required to be recorded in the final outturn return to HM Treasury and small variances relating to other bodies within the portfolios which do not form part of the Scottish Government Consolidated Accounts e.g. Revenue Scotland, Scottish Fiscal Commission, Scottish Courts and Tribunals Service, National Records of Scotland, Scottish Housing Regulator, Office of the Scottish Charity Regulator, Food Standards Scotland, Registers of Scotland, Consumer Scotland, Environmental Standards Scotland, Scottish Parliament Corporate Body and Audit Scotland. Also, any adjustments relating to HM Treasury or Scottish Budgets only. (b) Variances in Annually Managed Expenditure (AME) and Other expenditure which are only recorded in the Scottish Budget outturn.

Comparison with Previous Years – HM Treasury Budgets

29. For purposes of comparison, the HMT fiscal variance against total budget reported for the last four years including 2022-23 are summarised within Table 5 below:

Table 5: 2018-19 to 2022-23 Outturn Variances Comparison – HM Treasury Budgets

	Resource £million	Capital £million	Financial Transactions £million
2022-23	(180.6)	(24.7)	(39)
2021-22	(604)	(81)	(14)
2020-21	(358)	(7)	(61)
2019-20	(150)	(74)	(97)
2018-19	(305) *	(23) *	(121)

* Including £126 million of fiscal resource and £22 million of fiscal capital of late Barnett consequentials, to be re-allocated by HM Treasury to 2019-20



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Any enquiries regarding this publication should be sent to us at
The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-83521-093-2 (web only)

Published by The Scottish Government, July 2023

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS1321722 (07/23)

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