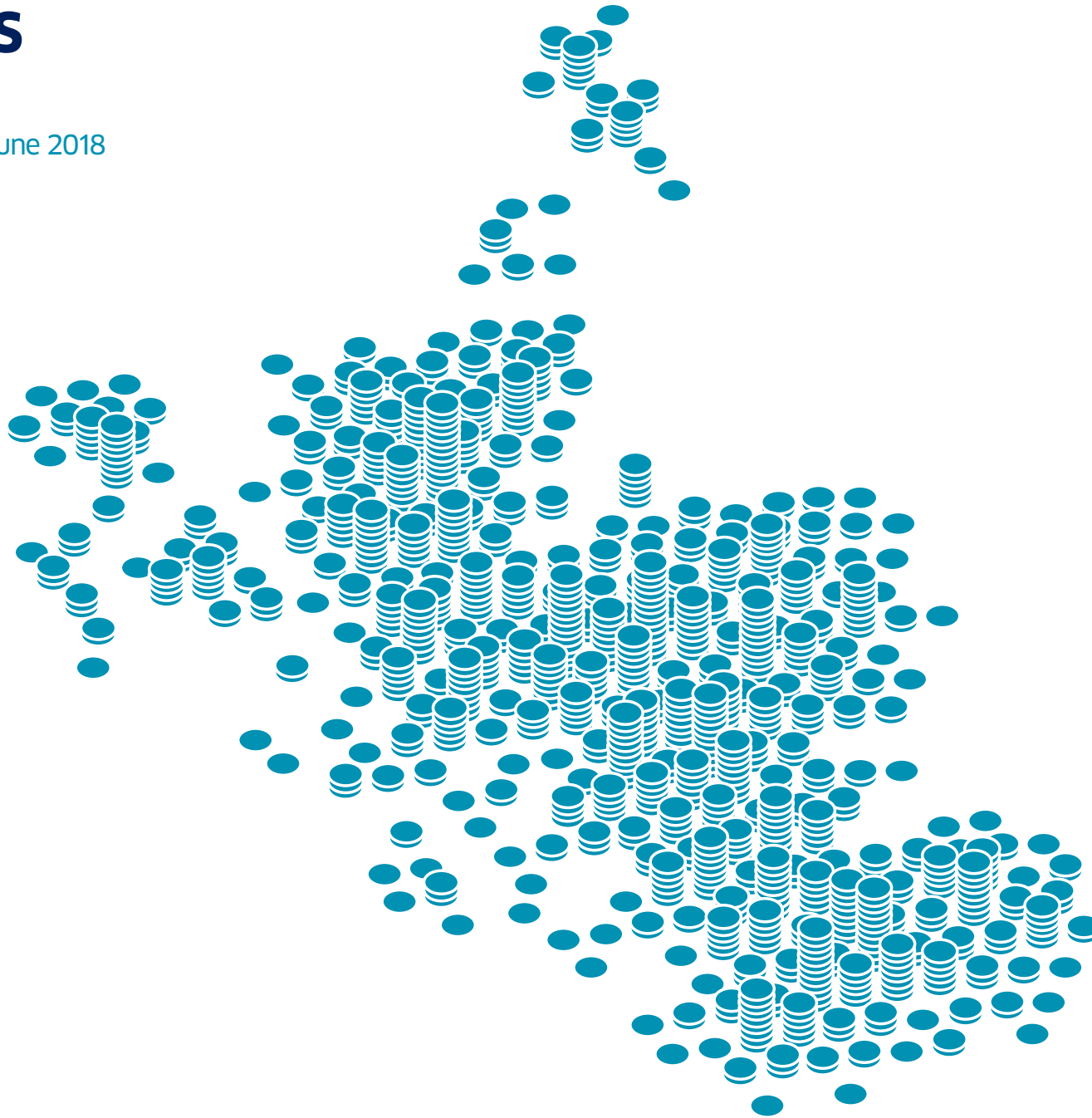


Scotland's Finances

Key facts and figures June 2018



Competent, financially prudent Scottish Government

THIS PART OF THE GUIDE SETS OUT KEY INFORMATION ABOUT HOW THE SYSTEM STANDS IN 2018-19. THE NEXT PART SETS OUT HOW IT IS CHANGING.

DEVOLVED FINANCES

- The Scottish Government is accountable to the Scottish Parliament and the people in Scotland for its use of public money.
- Scottish Ministers decide spending plans that have to be approved by Holyrood.
- Since 2009-10, the Scottish Government has produced its accounts on the basis of international accounting standards.

BARNETT FORMULA



WESTMINSTER DECIDES HOW MUCH IT WILL SPEND IN ENGLAND ON PUBLIC SERVICES. HOLYROOD IS AUTOMATICALLY ALLOCATED A POPULATION SHARE OF CHANGES IN SPENDING ON PUBLIC SERVICES DEVOLVED TO SCOTLAND.

MONEY IN

BLOCK GRANT,
EU FUNDS,
SCOTTISH INCOME TAX,
LAND AND BUILDINGS
TRANSACTION TAX,
SCOTTISH LANDFILL TAX,
NON-DOMESTIC RATES,
BORROWING



THE SCOTTISH CONSOLIDATED FUND



MONEY OUT

SPENDING ON PRIORITIES
INCLUDING SCHOOLS, HOSPITALS,
POLICE, HOUSING, FARMING,
FISHING, INFRASTRUCTURE
AND THE ECONOMY

DELIVERED BY SCOTTISH
GOVERNMENT, EXECUTIVE
AGENCIES, NHS, CROWN OFFICE,
LOCAL COUNCILS, THIRD
SECTOR AND OTHER BODIES



Our financial system in 2018-19

SCOTTISH BUDGET IN 2018-19 IS £41 BILLION

- The Scottish Government has to set and deliver a balanced budget each year.
- The Scottish Government accounts for 2016-17 were given a clean bill of health by Audit Scotland. This was the 12th consecutive year they received an unqualified opinion.
- For financial year 2016-17, the Scottish Government, its Executive Agencies and the Crown Office and Procurator Fiscal Service made 98.6% of all payments within 10 days.
- For all taxes set, raised or assigned in Scotland, the block grant is reduced.

TAXES SET IN SCOTLAND IN 2018-19:

SCOTTISH INCOME TAX



NON-DOMESTIC RATES



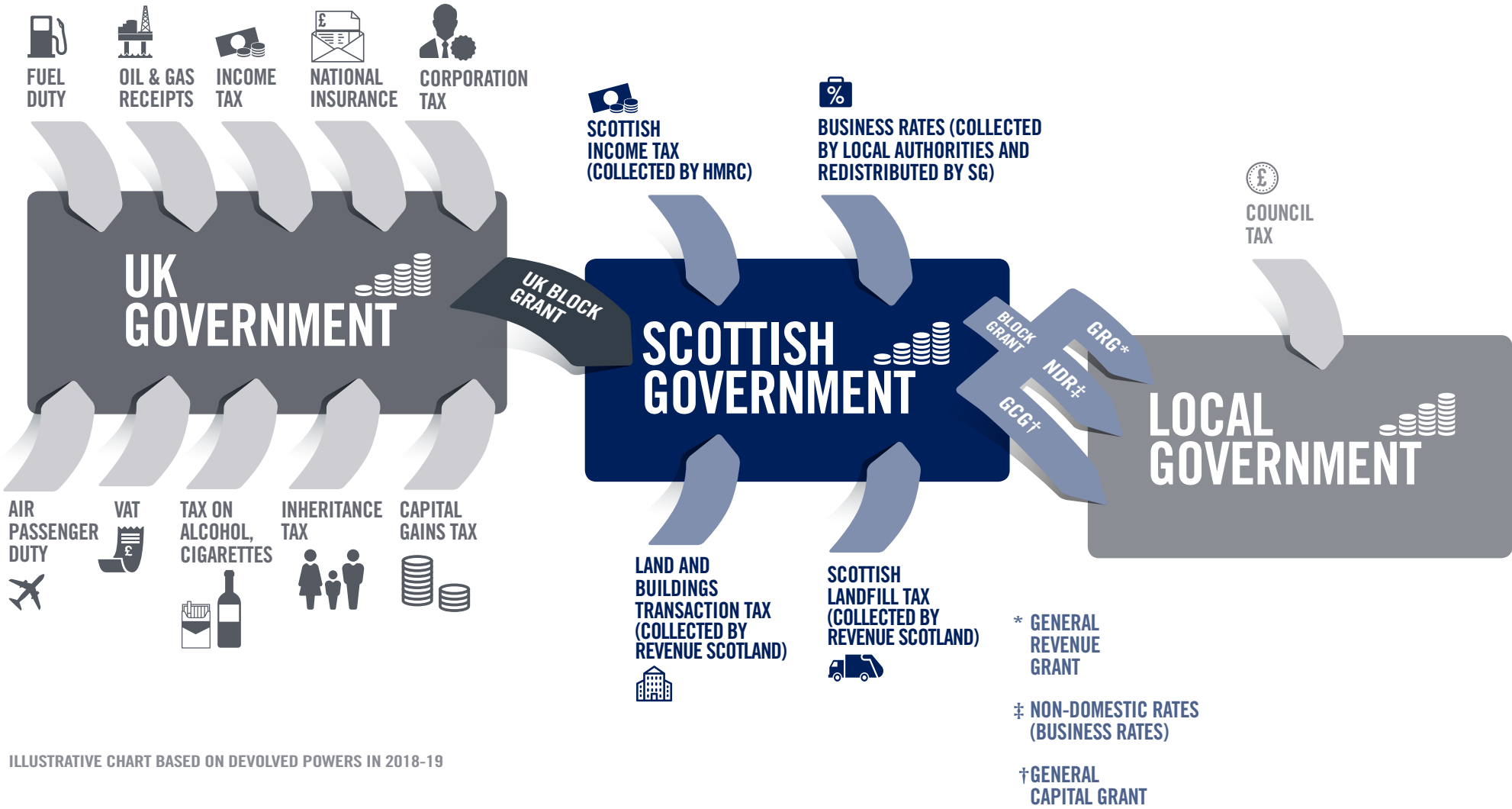
LAND AND BUILDINGS TRANSACTION TAX



SCOTTISH LANDFILL TAX



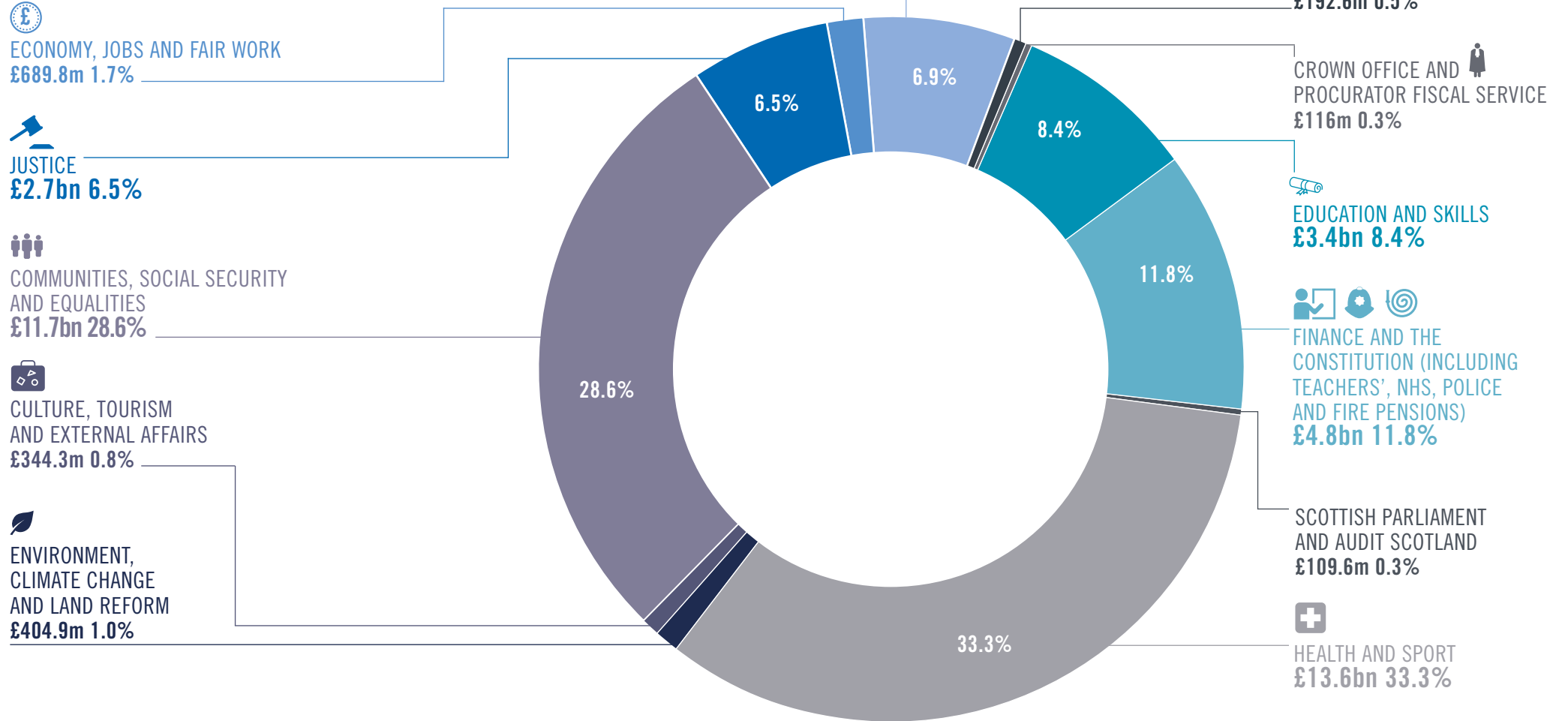
The Scottish tax landscape 2018-19



ILLUSTRATIVE CHART BASED ON DEVOLVED POWERS IN 2018-19

What is planned to be spent in 2018-19

PORTFOLIO BUDGETS 2018-19 (SOME PERCENTAGES ARE ROUNDED)



 IN 2018-19 THE LOCAL GOVERNMENT SETTLEMENT TO SUPPORT 32 COUNCILS ADDS UP TO MORE THAN £10 BILLION

**TOTAL PORTFOLIO EXPENDITURE
2018-19
£41bn**




THE FISCAL FRAMEWORK

IS AN AGREEMENT MADE IN FEBRUARY 2016 BETWEEN THE SCOTTISH AND UK GOVERNMENTS SETTING OUT THE RULES BY WHICH SCOTLAND'S NEW FINANCIAL AND SOCIAL SECURITY POWERS ARE TRANSITIONED AND MANAGED.



- **The terms of the agreement** are designed to ensure no detriment to the Scottish budget. If tax policy and economic performance in Scotland remains the same as in the rest of the UK, then the Scottish budget will be no better or worse off than it would have been under the Barnett Formula.
- **The Fiscal Framework** requires forecasting of information by a body independent of Government. Since April 2017 the Scottish Fiscal Commission has assumed statutory powers as an independent body to produce relevant fiscal forecasts.
- **Since April 2017, non-savings, non-dividend income tax** rates and bands have been set by the Scottish Parliament, which is forecast by the Scottish Fiscal Commission to generate around £12 billion in Scotland for 2018-19.

TIMELINE OF CHANGE

 1999	 2015	%	2016	%	2017	 2019 AND BEYOND
SCOTTISH PARLIAMENT CAN INCREASE OR REDUCE INCOME TAX BY 3P IN THE POUND SCOTTISH PARLIAMENT HAS POWERS OVER NON-DOMESTIC RATES	SCOTTISH PARLIAMENT CONTROLS FULLY DEVOLVED TAXES, LAND AND BUILDINGS TRANSACTION TAX AND LANDFILL TAX		SCOTTISH PARLIAMENT GAINS PARTIAL POWERS TO SET THE SCOTTISH RATE OF INCOME TAX		SCOTTISH PARLIAMENT GAINS FURTHER POWERS TO SET INCOME TAX RATES AND BANDS	ASSIGNMENT OF VAT RECEIPTS REPLACEMENT FOR AIR PASSENGER DUTY AGGREGATES LEVY

FROM APRIL 2017

THE SCOTTISH PARLIAMENT HAS CONTROLLED THE MANAGEMENT OF THE CROWN ESTATE IN SCOTLAND WITH REVENUES TO BE USED TO DEVELOP ISLAND AND LOCAL COMMUNITIES.



MORE PROGRESSIVE INCOME TAX POLICY

TWO NEW TAX BANDS TO IMPROVE FAIRNESS, PROTECT LOWER EARNING TAXPAYERS & RAISE OVER £210 MILLION MORE IN 2018-19.



- **The capital borrowing cap** has been increased from £2.2 billion to £3 billion. Annual borrowing within this cap is limited to £450m.
- **The UK Government has retained power to set the VAT rate** but from April 2019 broadly half of the estimated money received from VAT on purchases made in Scotland will be passed to the Scottish Government instead of HM Treasury.
- **For all taxes set, raised or assigned in Scotland**, the block grant is reduced.

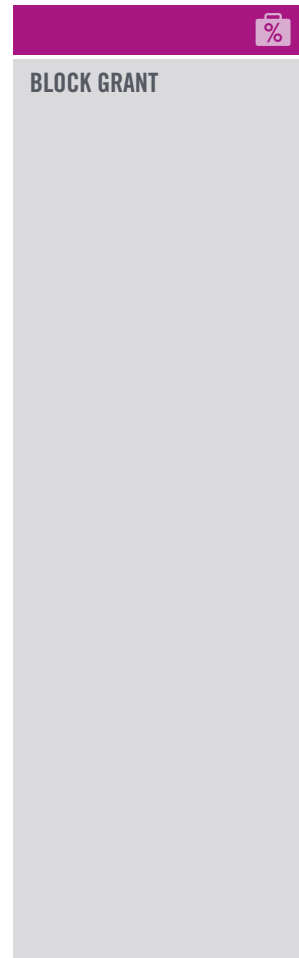
How our funding system is changing

WHERE THE SCOTTISH GOVERNMENT BUDGET COMES FROM

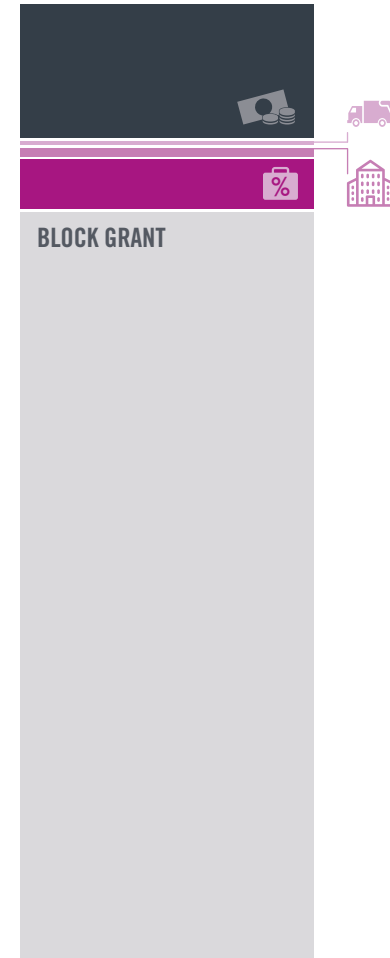
-  AIR PASSENGER DUTY
-  SCOTTISH RATE OF INCOME TAX / INCOME TAX
-  SCOTTISH LANDFILL TAX
-  LAND AND BUILDINGS TRANSACTION TAX
-  NON DOMESTIC RATES
-  VAT
-  BLOCK GRANT

TABLE PROVIDES ILLUSTRATIVE SHARE OF BUDGET IN YEARS BASED ON ESTIMATES FROM 2017-18 FIGURES. ACTUAL PERCENTAGES IN GIVEN YEARS WILL VARY.

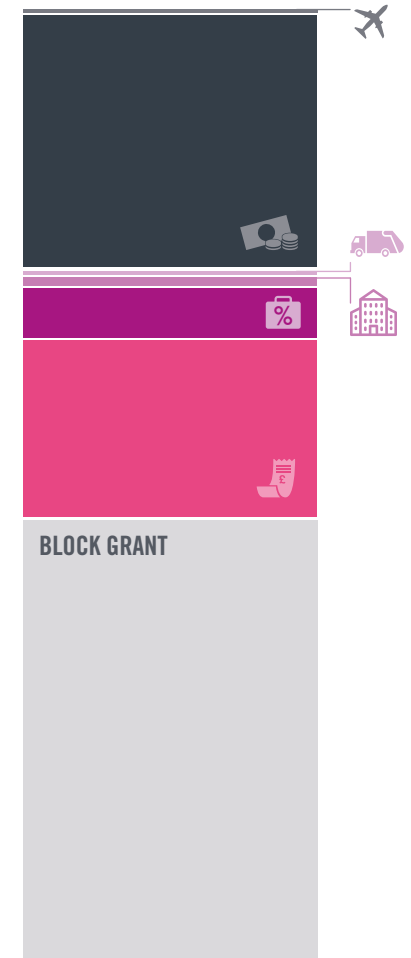
IN ADDITION LOCAL AUTHORITIES SET AND RAISE COUNCIL TAX TO FUND LOCAL SERVICES, BUT THIS IS OUTWITH THE SCOTTISH BUDGET.



SCOTLAND ACT 1998



SCOTLAND ACT 2012



SCOTLAND ACT 2016

ESTIMATES ONCE ALL FISCAL POWERS HAVE BEEN DEVOLVED

How our system is changing

THE NEXT SIGNIFICANT CHANGES TO SCOTLAND'S PUBLIC FINANCES WILL BE THE TRANSFER OF RESPONSIBILITY FOR SOCIAL SECURITY FROM 2018-19.

THE SOCIAL SECURITY (SCOTLAND) BILL WAS APPROVED BY THE SCOTTISH PARLIAMENT ON 25 APRIL 2018 AND RECEIVED ROYAL ASSENT ON 1 JUNE 2018.

THE SOCIAL SECURITY (SCOTLAND) ACT 2018 SETS UP A FRAMEWORK FOR A NEW SCOTTISH SOCIAL SECURITY SYSTEM.

THE VALUE OF SOCIAL SECURITY BENEFITS TO BE DEVOLVED FROM 2021/22 WILL BE:

£3.5bn*



ATTENDANCE ALLOWANCE



DISABILITY LIVING ALLOWANCE



PERSONAL INDEPENDENCE PAYMENT



CARER'S ALLOWANCE INCL. SUPPLEMENT



SEVERE DISABLEMENT ALLOWANCE



INDUSTRIAL INJURIES DISABILITY BENEFITS



FUNERAL EXPENSES PAYMENTS (TO BE REPLACED BY FUNERAL EXPENSE ASSISTANCE)



SURE START MATERNITY GRANT (TO BE REPLACED BY BEST START GRANT)



COLD WEATHER PAYMENTS



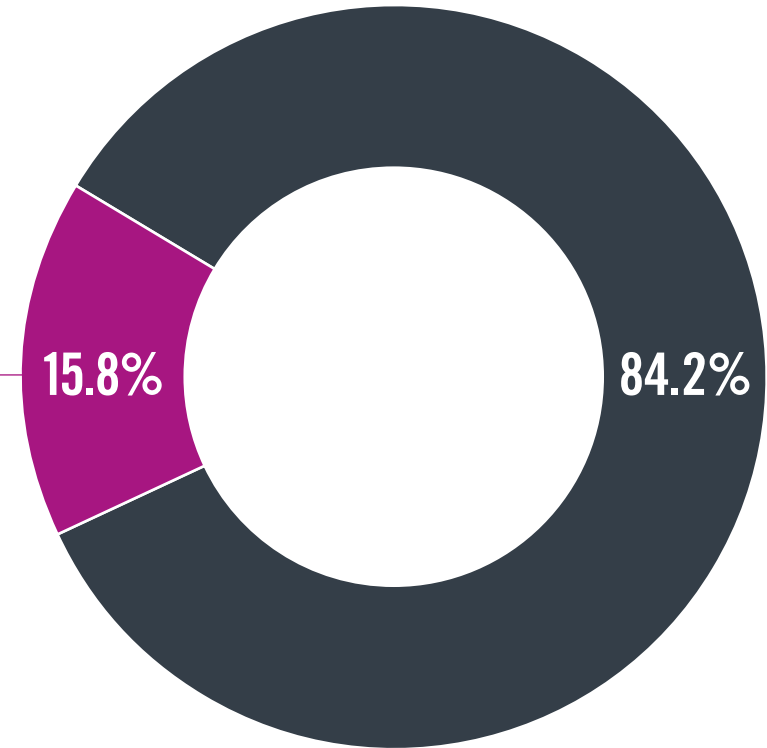
WINTER FUEL PAYMENTS



DISCRETIONARY HOUSING PAYMENTS**



SCOTTISH WELFARE FUND**



*PERCENTAGES BASED ON 2016-17 FIGURES (LATEST AVAILABLE AT PUBLICATION)

ONCE POWERS ARE DEVOLVED THE SCOTTISH PARLIAMENT WILL CONTROL 15.8%[†] OF SOCIAL SECURITY SPEND IN SCOTLAND

CONTROL OVER 84.2%[†] OF THE SOCIAL SECURITY SPEND IN SCOTLAND, INCLUDING UNIVERSAL CREDIT, WILL REMAIN RESERVED TO UK GOVERNMENT

- In April 2017, we delivered one of the first of the newly devolved powers under the Scotland Act 2016, Employment Support, through one-year transitional services - Work First Scotland and Work Able Scotland. These services were replaced in April 2018 by Fair Start Scotland, our new employment support service that will help a minimum of 38,000 people move towards sustainable employment.
- A Young Carer Grant will be added in Autumn 2019.

*FROM SCOTLAND'S FISCAL OUTLOOK: THE SCOTTISH GOVERNMENT'S FIVE YEAR FINANCIAL STRATEGY, P43

**DHP AND SWF ARE ALREADY DEVOLVED



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