

Fiscal Framework Outturn Report

SG/2022/155

September 2022



Scottish Government
Riaghaltas na h-Alba
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Contents

1. Introduction.....	2
2. Tax - Overview of tax revenues, BGA and net Budget position.....	5
3. Income Tax.....	7
4. Fully Devolved Taxes.....	11
5. Fines, Forfeitures, and Fixed Penalties.....	14
6. Proceeds of Crime	16
7. Social Security	17
8. Reconciliation Requirement for the Scottish Budget 2023-24.....	23
9. Borrowing	25
10. Scotland Reserve	29
11. Sources of data and publication timetable.....	30

1. Introduction

1. This is the fifth Fiscal Framework Outturn Report published by the Scottish Government. It forms part of a revised Budget process, as recommended by the final report of the Budget Process Review Group.¹

2. In keeping with the recommendations of the Group, it contains the following information:

- Outturn and, where appropriate, provisional outturn data for Scottish tax revenues and Social Security benefits expenditure (including comparison of outturn with forecast)
- Calculation of outturn Block Grant Adjustments (BGAs) and comparison with forecast
- Net effect on Budget (revenue/expenditure minus BGA) for each tax and Social Security benefit relative to forecast
- Implications of reconciliations for subsequent financial year
- Commentary on latest available interim outturn data on income tax
- Payments into the Reserve and withdrawals from the Reserve
- Balance of Scottish Reserve at the start and end of the previous financial year (with explanations for reasons for withdrawal or source of surplus)
- Borrowing undertaken during the past financial year, and assessment of how far Government remains below its various different borrowing limits
- Implications of borrowing in terms of estimated profile of future repayments.

Terminology used in this document

3. The Scottish Government must rely on forecasts when setting each Budget, and the UK Government also relies on forecasts when determining BGAs. When information about actual revenues and expenditure becomes available – known as ‘outturn data’ – subsequent Budgets are adjusted to account for the difference between forecast and outturn data. This process is known as a ‘reconciliation’ and can involve additions or reductions to the Scottish Government’s Block Grant.

4. Outturn figures are often first published on a provisional basis before a final figure is published. As this data becomes available for different taxes and Social Security benefits at different times, reconciliations are made throughout the Budget cycle. A full explanation of the reconciliation process, BGAs and the calculation of Scottish Government’s Block Grant can be found in the Technical Note on the Fiscal Framework.²

Data used in this document

5. The 2022-23 to 2027-28 tax revenue and Social Security benefits expenditure forecasts within this report have been drawn from the forecasts published by the

¹ [Budget Process Review Group: final report - gov.scot \(www.gov.scot\)](https://www.gov.scot/budget-process-review-group-final-report)

² [Fiscal framework: factsheet - gov.scot \(www.gov.scot\)](https://www.gov.scot/fiscal-framework-factsheet)

Scottish Fiscal Commission (SFC) on 31 May 2022, as has the forecast of the 2021-22 Scottish Income Tax revenues.

6. The 2022-23 to 2026-27 forecasts of the BGAs are based on the Office for Budget Responsibility (OBR) forecasts of UK tax revenues and Social Security benefits expenditure at the Spring Statement on 23 March 2022, as is the forecast of the 2021-22 BGA for Income Tax. Since the last set of SFC and OBR forecasts, the economic outlook has changed significantly. Inflationary pressures have been more intense than expected; interest rates have risen sharply domestically and internationally and the UK Government has already announced one emergency Cost-of-Living Fiscal Package in May³, with another expected shortly.

7. Changes in the economic outlook since the latest SFC and OBR publications will be reflected in (i) updated forecasts from the SFC, which will be published alongside the 2023-24 Scottish Budget, and; (ii) the OBR's next set of forecasts, which is usually published alongside the UK Government's autumn fiscal event, which will allow for the calculation of updated forecasts of BGAs.

8. As a result of changes to previous publication schedules, some of the outturn data used in this report is provisional. Whether the data is final or provisional is detailed as follows:

- The publication of the Office of National Statistics (ONS) mid-year population outturn data for 2021-22, which is used to calculate the final outturn BGAs, has been delayed until November 2022. Consequently all outturn BGAs detailed in this report are provisional, with the exception of the 2020-21 income tax BGA, which is final.
- HMRC 2020-21 income tax revenue outturn data are considered final, as is the 2020-21 income tax BGA.
- The 2021-22 outturn revenue data for England and Northern Ireland, which feeds into the BGA calculation for Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT), are considered final.
- The final 2021-22 LBTT and SLfT Scottish revenue data will be published as part of Revenue Scotland's Annual Reports and Accounts in November 2022 and the revenue outturn data used within this report is provisional.
- Provisional Scottish expenditure data is also used for 2021-22 Scottish Government Social Security benefits expenditure. Final data will be available as part of the Social Security Scotland Annual Report and Accounts, published by November 2022.
- Provisional UK Government Social Security benefits expenditure outturn data has also been used to calculate the BGAs, with final outturn being made available when the Local Authority, Parliamentary, and Country and Regional Tables 2021/22 are published later this year.

³ [Cost of living support factsheet: 26 May 2022 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/factsheets/cost-of-living-support-factsheet-26-may-2022)

9. The following outturn data, which reflects a period in which the impacts of the COVID-19 impacts on the economy were material, is therefore included in the report:

- Final BGA and revenue reconciliations for 2020-21 Scottish Income Tax;
- Provisional BGA reconciliations and revenue outturn for 2021-22 LBTT and SLfT;
- Provisional BGA reconciliations and expenditure outturn for 2021-22 Social Security benefits expenditure, and;
- Provisional BGA reconciliation and revenue outturn for 2021-22 Fines, Forfeitures and Fixed Penalties.

10. Due to the use of provisional data, the overall reconciliation applying to the 2023-24 Scottish Budget cannot be finalised at this point, but will be confirmed in the 2023-24 Scottish Budget document.

11. In summary, the following points are relevant for 2023-24 Budget considerations:

- The total provisional reconciliation required in the 2023-24 Budget will be a positive £22.5 million. This figure includes final reconciliations for 2020-21 Income Tax revenue and BGA and the provisional reconciliations of the BGAs for 2021-22 LBTT, SLfT, Social Security benefits expenditure and Fines, Forfeitures and Fixed Penalties.
- The provisional residual balance on the reserve for 2021-22 is £650 million.
- Under current plans, the Scottish Government's capital debt will be £2.1 billion by the end of 2023-24, 71 per cent of its overall £3 billion limit.
- The 2022-23 Scottish Budget included plans to use resource borrowing powers to borrow £15 million. However, this remains subject to change throughout the financial year depending on the movement of in-year reconciliations and volatility of Social Security benefit expenditure.

2. Tax - Overview of tax revenues, BGA and net Budget position

12. This section provides an overview of the latest information (outturn or forecast) available regarding revenues and BGAs for Income Tax and the fully devolved taxes - LBTT and SLfT.

13. Table 1 includes outturn data for 2020-21 Scottish Income Tax and fully devolved taxes, and for 2021-22 for fully devolved taxes. Scottish tax outturn data is provided by HMRC for Income Tax and by Revenue Scotland for LBTT and SLfT. Outturn data required to calculate the outturn tax BGAs is provided by HMRC.

14. Table 1 also shows the most recent tax forecasts. Revenue forecasts are taken from the SFC's Scotland's Economic and Fiscal Forecasts, published on 31 May 2022.⁴ BGAs are based on forecasts of equivalent UK Government tax revenue prepared by the OBR for the UK Spring Statement published on 23 March 2022. Comparing the forecasts to the BGAs produces the net effect on the Scottish Budget.

Table 1: Latest Data on Tax Revenue and Block Grant Adjustments (£ million)

		Outturn			Forecasts				
		2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Income Tax	Revenue	11,948 †	13,342	14,386	15,143	15,954	16,754	17,484	18,298
	BGA ¹	-11,852 †	-13,684	-14,813	-15,502	-15,883	-16,737	-17,534	N/A
	Net effect	96 †	-342	-428	-359	71	18	-50	N/A
LBTT	Revenue	517 †	807 †*	797	821	849	886	932	987
	BGA ¹	-397 †	-679 †	-716	-741	-772	-807	-854	N/A
	Net effect	121 †	127 †	81	80	77	79	78	N/A
SLfT	Revenue	107 †	125 †*	121	95	94	75	16	17
	BGA ¹	-87 †	-102 †	-81	-81	-75	-69	-76	N/A
	Net effect	20 †	23 †	41	14	19	6	-59	N/A
TOTAL	Revenue	12,572 †	14,274	15,304	16,058	16,897	17,716	18,433	19,303
	BGA ¹	-12,335 †	-14,465	-15,610	-16,324	-16,730	-17,612	-18,464	N/A
	Net effect	237 †	-191	-306	-265	167	103	-31	N/A

Note 1: The BGAs shown in this and subsequent tables are calculated using the Indexed Per Capita (IPC) indexation method. This method determines the BGAs applied to the Budget. Tax BGAs are shown as negative numbers as they are deductions from the Block Grant and thus have a negative effect on the Budget position.

* 2021-22 provisional LBTT and SLfT revenue represents tax revenue submitted during the financial year adjusted by returns received in April and May 2022 that relate to the property and landfill transactions occurring in 2021-22. The revenue also excludes penalties, interest charged and paid during the financial year 2021-22.

† Indicates outturn; Figures in this and subsequent tables may not sum due to rounding

⁴ [Scotland's Economic and Fiscal Forecasts - May 2022 | Scottish Fiscal Commission](#)

15. The forecasts for Income Tax revenues and BGAs for 2021-22 and 2022-23 above do not have any immediate impact on the Scottish Budget, as they do not represent outturn data that will be used as the basis for reconciliations. Outturn data for 2021-22 and 2022-23 will be available in the summer of 2023 and 2024, respectively. The forecasts for the years 2023-24 onwards provide an indication of the level of revenues that the SFC anticipates, but these figures will not be used to set the Scottish Budget 2023-24, as that will make use of updated forecasts produced by the SFC.

Taxes yet to be introduced

16. Some taxes devolved in the Scotland Act 2016 are yet to be implemented: assigned VAT, Air Passenger Duty and the Aggregates Levy.

17. **Assigned VAT:** The Fiscal Framework agreed that VAT assignment will be implemented following agreement between the two governments on a suitable assignment methodology. Due to the reliability of VAT receipt forecasting being highly uncertain as a result of to the combined effects of COVID-19 and EU exit, in October 2020 the UK and Scottish governments agreed that how and when VAT assignment should be implemented should be established as part of the review of the Scottish Government's Fiscal Framework. The Fiscal Framework review will begin following the completion of the independent report on BGA arrangements, which will be returned to both governments by the end of October. The Scottish Government has also stated that it wants the full devolution of VAT to be considered in the review. In 2020-21, the Scottish and UK Governments worked together to progress the draft VAT assignment methodology with the aim of delivering the best model and implementation process.

18. **Air Passenger Duty:** Introduction of the Air Departure Tax (ADT) in Scotland has been deferred to allow the issues raised in relation to the Highlands and Islands exemption to be resolved. The Scottish Government will continue work to find a solution for aviation that remains consistent with our climate ambitions, taking account of the UK domestic subsidy control regime.

19. **Aggregates Levy:** The Programme for Government 2022-23 includes a commitment to a Bill setting out key arrangements for a devolved tax on the commercial exploitation of aggregates. The Bill, to be introduced in the current session, will use powers devolved in the Scotland Act 2016, and represents an important next step in Scotland's devolved tax journey. To help inform development of the Bill, the Scottish Government will conduct a consultation and stakeholder engagement in Autumn 2022.

20. Information relating to these taxes will be included in future Outturn Reports, following their implementation.

3. Income Tax

21. For Scottish Income Tax, outturn data is normally available around 16 months after the end of the financial year and a single reconciliation is applied to the following Budget, three years after the original Budget was set. For example, the reconciliation relating to Income Tax in the 2018-19 financial year was applied to the 2021-22 Budget.

22. Final outturn data for 2020-21 Income Tax was published by HMRC on 7 July 2022. This data has been used to calculate the final reconciliations to the Scottish Government's Block Grant, which will be applied to the 2023-24 Budget. Table 2 shows the data, together with the net effect on the Budget.

2020-21 Income Tax	Revenues	BGA*	Net effect on Budget
Forecast as of Budget Act 2020	12,365.4	-12,319.3	+46.1
Outturn ¹	11,948.0	-11,851.5	+96.4
Outturn against forecast	-417.4	+467.8	+50.4

Note 1: Table 2 does not reflect the £375 million transfer made by the UK Government to the Scottish Government to settle the historic element of the Personal Allowance (PA) Spillover Dispute. The amount is a negotiated figure that both governments agree has resolved the dispute up to and including 2021-22. We have agreed that treatment of the spillover effect from 2022-23 onwards will be considered as part of the forthcoming Fiscal Framework Review.⁵

* The BGA has been revised downward – this has a positive effect on net revenues.

23. This translates into a £50.4 million positive reconciliation requirement that will be applied to the 2023-24 Budget (see section 8 for a full breakdown of reconciliations for the 2023-24 Budget). This is the first year since the devolution of powers over Scottish Income Tax that there will be a positive reconciliation for the Scottish Budget.

24. The combined 2020-21 Income Tax revenues and the corresponding BGA were forecast to have a positive net effect on the Scottish Government's finances at the time of setting the 2020-21 Budget, with revenues forecast to exceed the BGA by £46.1 million. The outturn data details that revenues did exceed the BGA, but by £96.4 million. This translates into a £50.4 million positive reconciliation, in order to correct for the forecast error within the 2020-21 Budget. This is a normal part of the Fiscal Framework and the application of reconciliations to correct for forecast error should not be interpreted as a reflection of the underlying performance of the Scottish or equivalent UK tax base.

25. The outturn data for Income Tax 2021-22 and 2022-23 will be available in summer 2023 and 2024 respectively, with reconciliations then being applied in turn to the 2024-25 and 2025-26 Budgets. Table 3 and Table 4 show the latest indicative

⁵ [Letter from Cabinet Secretary for Finance and the Economy to the Finance and Public Administration Committee](#) confirming the agreement reached with UK Government to resolve the dispute up to and including 2021-22.

2021-22 and 2022-23 Income Tax reconciliations using the latest SFC and OBR forecasts, which do not yet account for the latest outturn data. Were these forecasts to be 100% accurate, they would show the implied future reconciliation to be applied to the 2024-25 and 2025-26 Budgets. Historically, indicative reconciliations have varied considerably between forecasting rounds. Even small asymmetries between the SFC's and OBR's relative forecast error can substantially change the size of any future reconciliations. Hence, a strong degree of caution should be used when interpreting these numbers – they are indicative only and not outturn data.

Table 3: Forecast Income Tax Reconciliation to 2024-25 Budget (£ million)

2021-22 Income Tax	Revenues	BGA	Net effect on Budget	Forecast Reconciliation
Forecast as of Budget Act 2021	12,263.3	-11,788.1	+475.2	
Latest forecast	13,341.6	-13,683.7	-342.1	-817.3
Change	+1,078.3	-1,895.6		

Table 4: Forecast Income Tax Reconciliation to 2025-26 Budget (£ million)

2022-23 Income Tax	Revenues	BGA	Net effect on Budget	Forecast Reconciliation
Forecast as of Budget 2022-23	13,670.7	-13,860.8	-190.2	
Latest forecast	14,385.6	-14,813.3	-427.7	-237.5
Change	+714.9	-952.4		

Corrections to historical Income Tax outturn data

26. In 2021, an error in the classification of some taxpayers was discovered by HMRC, following the National Audit Office's annual audit of HMRC's collection of Scottish income tax.⁶ These taxpayers had Scottish residency flags in HMRC's records and were thus identified as Scottish taxpayers for the purpose of the outturn data. However, they have subsequently been identified as non-resident for tax purposes so are not classified as Scottish taxpayers. No taxpayers have paid the incorrect tax. The process of producing the outturn figures has been corrected for the 2020-21 outturn. The figures from the previous outturn years (2016-17 to 2019-20) have been corrected in HMRC's 2020-21 statistical release.

27. This inconsistency had funding implications for the Scottish Government, whereby the Scottish Government had to manage a larger negative reconciliation in each of the years 2020-21 to 2022-23 (relating to outturn for 2017-18 to 2019-20 respectively). Use of the corrected outturn statistics would have reduced the negative reconciliation applied to the Scottish Budget by about £7m in each year. Both

⁶ For further details, see paragraph 7.8 of HMRC's [Scottish Income Tax Outturn Statistics: 2020 to 2021 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/94444/Scottish_Income_Tax_Outturn_Statistics_2020_to_2021.pdf)

governments are in ongoing discussions on addressing the historic implications of this issue.

28. Table 5 illustrates the funding implications:

Table 5: Total impact of revision to Income Tax Outturn data from 2016-17 to 2019-20 (£ million)

		2016-17	2017-18	2018-19	2019-20
Data used to calculate final reconciliations applied	Scottish Income Tax Outturn	10,719	10,916	11,556	11,833
	rUK Income Tax Outturn	149,713	154,199	160,750	164,372
	BGA	-10,719	-11,013	-11,437	-11,685
	Outturn Net Position	0	-97	119	148
Revised outturn data	Scottish Income Tax Outturn	10,706	10,908	11,549	11,825
	rUK Income Tax Outturn	149,726	154,207	160,757	164,380
	BGA	-10,706	-10,999	-11,423	-11,670
	Outturn Net Position	0	-91	127	155
	Impact of revision on net position	0	6	8	7
	Total Impact of revision	21			

29. The NAO and Audit Scotland consider the system for administering Scottish Income Tax to be functioning effectively and as intended⁷. We continue to scrutinise the administration of the system through our Service Level Agreement⁸, working collaboratively with HMRC to ensure the efficient identification of Scottish taxpayers and compliance activity.

Indicative In-Year Scottish Income Tax Data for 2021-22

30. As part of the Outturn statistics⁹, HMRC has also published new data on Pay as You Earn (PAYE) revenues up to and including 2021-22 from HMRC's Real Time Information (RTI) system. This shows that Scottish PAYE revenues continued to grow slower than in the rest of the UK between 2020-21 and 2021-22 (11.6 per cent vs. 14.6 per cent). These growth rates are high by historic standards, which is partly due to suppressed tax receipts during the pandemic.

31. While the RTI data source is a useful guide to how well PAYE receipts might have fared prior to the publication of the official Outturn statistics, the data needs to be interpreted with caution. Firstly, it does not tell us the full story as it does not cover receipts paid through Self-Assessment (SA), which account for around 12% of total Scottish Non-Savings Non-Dividend (NSND) receipts. For example, in 2020-21 flat growth in the PAYE element of Income Tax was more than offset by very strong

⁷ [Administration of Scottish Income tax 2020-21 - National Audit Office \(NAO\) report](#); [Administration of Scottish income tax 2020/21 | Audit Scotland \(audit-scotland.gov.uk\)](#)

⁸ [Service level agreement for operation of Scottish Income Tax by HMRC - GOV.UK \(www.gov.uk\)](#)

⁹ [Scottish Income Tax Outturn Statistics: 2020 to 2021 - GOV.UK \(www.gov.uk\)](#)

performance of SA receipts. Currently, no in-year data on SA receipts is available. Secondly, the RTI data source records gross Income Tax receipts, before certain deductions, including reserved ones, such as the High Income Child Benefit Tax Charge.

4. Fully Devolved Taxes

32. This section focuses on the operation of the two fully devolved taxes, Land and Buildings Transaction Tax (LBTT) and Scottish Landfill Tax (SLfT). It sets out forecasts and outturn for 2021-22, along with the provisional reconciliations required for the 2023-24 Budget. This report uses provisional 2021-22 outturn revenue and BGA data for the fully devolved taxes. The final revenue data will be published in November 2022 as part of Revenue Scotland's Annual Report and Accounts. HMRC outturn data, which is used to calculate the final BGAs, is final. However, ONS mid-year population outturn data for 2021-22, which is used to calculate the final outturn BGAs, has been delayed until November 2022.

33. Revenue Scotland manages and collects LBTT and SLfT and these revenue streams feed in to the Scottish Budget as they are collected. This means reconciliations for revenue are not necessary for these taxes. The Scottish Government manages any variance between forecast and actual revenues as part of its in-year budget management process.

34. However, the BGAs for these taxes do undergo reconciliations, which take place in two stages. The first stage is an in-year reconciliation, which normally occurs within the same financial year, on the basis of updated OBR forecasts produced for the UK Government autumn fiscal event. Outturn data becomes available in the autumn following the end of each financial year. Using these outturn figures, a final reconciliation is applied to the Block Grant in the financial year two years after the original BGA was applied.

LBTT

35. Table 6 shows the provisional net effect on Budget for LBTT for 2021-22, and compares provisional outturn to forecasts.

	Revenues	BGA	Net effect on Budget
Forecast as of Budget Act 2021	586.0	-515.1	+70.9
Provisional Outturn	806.9*	-679.4	+127.5
Provisional Outturn against forecast	+220.9	-164.2	+56.6

*2021-22 LBTT provisional revenue represents tax revenue submitted during the financial year adjusted by returns received in April and May 2022 that relate to the property transactions occurring in 2021-22. The revenue also excludes penalties, interest charged and paid during the financial year 2021-22.

36. Table 6 shows that the difference between the BGA used to underpin the Scottish Budget 2021-22 and the provisional outturn BGA is £164.2 million. As shown in Table 7, £104.4 million was deducted as an in-year reconciliation in 2021-22 and a further provisional final reconciliation of negative £59.8 million is required. The net effect of the in-year reconciliation and the final reconciliation equates to the negative £164.2 million referenced above.

Table 7: LBTT 2021-22 Provisional BGA Reconciliation (£ million)

Forecast BGA - Scottish Budget 2021*	-515.1
Forecast BGA - UK Budget 2022	-619.6
In-year reconciliation applied to 2021-22 Block Grant	-104.4
Provisional Outturn BGA	-679.4
Provisional Reconciliation applied to 2023-24 Block Grant	-59.8

* BGAs set at Scottish Budget 2021 rather than UK Budget due to the later than anticipated UK Budget

37. Table 8 compares the forecasts used to set the Scottish Budget 2022-23 with the latest forecasts of revenue and BGA for 2022-23 LBTT. There have been no updated OBR forecasts since the UK Spring Statement in March 2022 nor updated SFC forecasts since May 2022 and therefore the latest forecast net effect on Budget is purely indicative.

38. The change in the forecasts for the BGA reflect the difference between the BGA used in the Budget Act 2022 and the forecast of the BGA provided at the UK Spring Statement 2022. The actual in-year reconciliation will be based on updated BGA forecasts provided alongside the next set of OBR forecasts later this year.

Table 8: Forecast Comparison of 2022-23 LBTT (£ million)

	Revenues	BGA	Net effect on Budget
Forecast as of Budget Act 2022	749.3	-663.6	+85.8
Latest Forecast	796.9	-716.3	+80.6
Change	+47.6	-52.8	-5.2

SLfT

39. Table 9 shows the provisional net effect on the Scottish Budget for SLfT for 2021-22, and compares provisional outturn to forecasts.

Table 9: 2021-22 SLfT Provisional Outturn Compared with Forecasts (£ million)

	Revenues	BGA	Net effect on Budget
Forecast as of Budget Act 2021	88.1	-95.0	-7.0
Provisional Outturn	125.2*	-102.0	+23.2
Provisional Outturn against forecast	+37.2	-7.0	+30.2

*2021-22 SLfT provisional revenue represents tax revenue submitted during the financial year adjusted by returns received in April and May 2022 that relate to the landfill transactions occurring in 2021-22. The revenue also excludes penalties, interest charged and paid during the financial year 2021-22.

40. Table 10 shows that the difference between the BGA used to underpin the Scottish Budget 2021-22 and the provisional outturn BGA is £7.0 million. As shown in Table 10, £5.4 million was added as an in-year reconciliation in 2021-22 and a further provisional final reconciliation of negative £12.3 million is required. The net

effect of the in-year reconciliation and the final reconciliation equates to the negative £7.0 million referenced above.

Forecast BGA - Scottish Budget 2021*	-95.0	
Forecast BGA - UK Budget 2022	-89.7	
In-year reconciliation applied to 2021-22 Block Grant		+5.4
Provisional Outturn BGA	-102.0	
Provisional Reconciliation applied to 2023-24 Block Grant		-12.3

* BGAs set at Scottish Budget 2021 rather than UK Budget due to later than anticipated UK Budget

41. Table 11 compares the forecasts used to set the Scottish Budget 2022-23 with the latest forecasts of revenue and BGA for 2022-23 SLfT. There have been no updated OBR forecasts since the UK Spring Statement in March 2022 nor SFC forecasts since May 2022 and therefore the latest forecast net effect on Budget is indicative.

42. The change in the forecasts for the BGA reflect the difference between the BGA used in the Budget Act 2022, and the forecast of the BGA provided at the UK Spring Statement in March 2022. The actual in-year reconciliation will be based on updated BGA forecasts provided alongside the next set of OBR forecasts later this year.

	Revenues	BGA	Net effect on Budget
Forecast as of Budget Act 2022	100.5	-82.3	+18.3
Latest Forecast	121.2	-80.5	+40.7
Change	+20.6	+1.8	+22.4

5. Fines, Forfeitures, and Fixed Penalties

43. This section contains the latest outturn, forecasts and reconciliations available for Fines, Forfeitures, and Fixed Penalties (FFFPs).

44. As with the fully devolved taxes and income tax, there is a corresponding deduction to Scottish Government's Block Grant by way of a BGA. This is initially calculated based on forecast growth of equivalent UK Government revenues retained by the Ministry of Justice.

45. Revenue from FFFPs is paid into the Scottish Consolidated Fund after being collected by the Scottish Courts and Tribunals Service. No revenue reconciliation takes place, as the Scottish Government deals with variations between forecast and receipts through in-year budget management.

46. Unlike the fully devolved taxes, there is only one reconciliation to the BGA. Outturn data is normally available three months after the end of the financial year to which the original BGA relates, and the reconciliation is applied to the Block Grant for the financial year thereafter (i.e. two years after the Budget was set).

47. This report uses provisional 2021-22 Scottish revenue outturn data. The final revenue data will be published as part of Scottish Government's Consolidated Accounts. The UK Government revenues used to calculate the BGA for FFFPs are published in the HM Courts & Tribunals Service Trust Statement.

48. Table 12 shows the net effect on the Scottish Budget for 2021-22 FFFP revenue, comparing outturn data with forecasts for the same. It also shows that the provisional BGA reconciliation required, applying to the 2023-24 Scottish Budget, is positive £0.4m.

Table 12: 2021-22 FFFP Outturn Compared with Forecasts (£ million)

	Revenues	BGA	Net effect on Budget
Forecast as of Budget Act 2021	25.0	-27.8	-2.8
Provisional Outturn	21.6	-27.4	-5.8
Provisional Outturn against forecast	-3.4	+0.4	-3.0

49. Table 13 compares forecasts of the net effect on the Budget for FFFP in 2022-23. When outturn data for the BGA becomes available in the next financial year, a reconciliation will be applied to the 2024-25 Budget, meaning that these figures are indicative only.

Table 13: Forecast FFFP Budget Position for 2022-23 (£ million)

	Revenues	BGA	Net effect on Budget
Forecast as of Budget Act 2022	25.0	-28.3	-3.3
Latest Forecast	17.6	-28.3	-10.7
Change	-7.4	0.0	-7.4

6. Proceeds of Crime

50. Revenue seized under the Proceeds of Crime Act 2002 is subject to a BGA. The basis on which this is carried out is the subject of dispute between the Scottish and UK Governments and the BGA remains at negative £4 million while the dispute remains unresolved.¹⁰ The Scottish and UK Governments agreed to consider this issue as part of the review of the Fiscal Framework.

51. Provisional outturn revenue recovered under the Proceeds of Crime Act in 2020-21 is £6.8 million. The Scottish Government receives all revenues recovered under the Proceeds of Crime Act. However, outturn revenues are hypothecated for spend on community projects.¹¹ Due to this hypothecation of funds and the negative £4 million BGA, the net position for the Scottish Budget is negative £4 million while this BGA remains in force.

52. No reconciliation takes place while the BGA remains the subject of dispute between the Scottish and UK Governments.

¹⁰ Further background on this dispute is included in Scotland Act Report 2021 - [Scotland Act 2012 and 2016: annual implementation report 2021 - gov.scot \(www.gov.scot\)](#)

¹¹ Further information can be found at [CashBack for Communities](#)

7. Social Security

53. This section contains the latest outturn and forecasts available on expenditure and BGAs for Social Security benefits from 2021-22 onwards, and the net effect on the Scottish Budget. This report uses provisional 2021-22 outturn expenditure data for Scottish Social Security benefits expenditure; the final outturn data will be available as part of Social Security Scotland's Annual Reports and Accounts, published by November 2022. The Block Grant Adjustments are based on provisional UK Government Social Security benefits expenditure; final outturn data will be confirmed when the UK Government publishes its Local Authority, Parliamentary, and Country and Regional Tables 2021/22 later this year.

54. For Social Security payments, forecasts are of spending rather than revenues and Block Grant Adjustments are therefore additions rather than deductions. Otherwise, the process of reconciling forecasts to outturn data functions in the same way as for the fully devolved taxes.

55. Table 14 shows the SFC's latest expenditure forecasts for the Social Security benefits expenditure that have been devolved so far, as published in the SFC's Scotland's Economic and Fiscal Forecasts on 31 May 2022¹², and the Block Grant Adjustment estimates provided at the UK Spring Statement on 23 March 2022. The forecast shows increasing divergence between Social Security benefits expenditure and BGAs which is largely driven by Scottish Government policy decisions to provide a more compassionate and generous benefits system.

Table 14: Latest Social Security expenditure forecast for benefits with a corresponding Block Grant Adjustment¹ and Block Grant Adjustments data (£ million)²

		Outturn	SFC Forecast					
		2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Carer's Allowance ³	Expenditure	-295 †	-321	-366	-424	-486	-540	-571
	BGA	293 †	318	362	393	423	459	N/A
	Net effect on Budget	-2 †	-3	-4	-31	-63	-80	N/A
Attendance Allowance	Expenditure	-525 †	-539	-591	-642	-691	-728	-764
	BGA	517 †	539	594	626	649	672	N/A
	Net effect on Budget	-8 †	-1	3	-17	-41	-56	N/A
Adult Disability Payment ⁴	Expenditure ¹	-1,784 †	-2,044	-2,579	-2,921	-3,196	-3,484	-3,783
	BGA	1,754 †	1,953	2,298	2,566	2,799	3,014	N/A
	Net effect on Budget	-30 †	-90	-280	-355	-396	-469	N/A
	Expenditure ²	-697 †	-714	-744	-738	-720	-705	-684

¹² [Scotland's Economic and Fiscal Forecasts – May 2022 | Scottish Fiscal Commission](#)

Disability Living Allowance⁵	BGA	705 †	698	732	713	677	682	N/A
	Net effect on Budget	8 †	-16	-12	-25	-43	-22	N/A
Industrial Injuries Disablement Scheme⁶	Expenditure	-81 †	-80	-83	-84	-83	-83	-83
	BGA ³	81 †	79	83	82	80	79	N/A
	Net effect on Budget	0 †	-1	-1	-1	-2	-5	N/A
Severe Disablement Allowance	Expenditure	-7 †	-6	-6	-5	-5	-4	-4
	BGA	7 †	6	6	5	5	4	N/A
	Net effect on Budget	0 †	0	0	0	0	0	N/A
Winter Heating Payment⁴	Expenditure	N/A	-20	-20	-20	-20	-20	-20
	BGA	N/A	8	8	7	7	7	N/A
	Net effect on Budget	N/A	-13	-13	-13	-13	-13	N/A
TOTAL SOCIAL SECURITY	Expenditure	-3,389	-3,725	-4,389	-4,835	-5,200	-5,564	-5,910
	BGA	3,357	3,602	4,082	4,393	4,641	4,919	N/A
	Net effect on Budget	-32	-123	-307	-442	-558	-645	N/A

Note 1: This table details only the forecast expenditure for the Social Security benefits with a corresponding BGA and does not include: (i) forecasts for smaller benefits, funding for which is baselined into the core Block Grant, nor (ii) newly introduced Scottish benefits, which are funded from within the Scottish Government's Budget, namely: Best Start Foods, Best Start Grant, Carer's Allowance Supplement, Child Winter Heating Assistance, Funeral Support Payment, Scottish Child Payment, Discretionary Housing Payments, Employability Services, Self-Isolation Support Grant, Scottish Welfare Fund.

Note 2: There are minor differences in the methodology used to calculate the SFC's spending forecasts and the BGA forecasts, which are based on expenditure outturn and OBR forecasts, so comparisons should be interpreted with caution.

Note 3: Carer's Allowance Expenditure Forecast does not include Carer's Allowance Supplement (CAS) expenditure, whereas the Scottish Fiscal Commission includes CAS as part of their Scottish Carer's Assistance indicative forecast.

Note 4: Adult Disability Payment and Winter Heating Payment are the replacement benefits for Personal Independence Payment and Cold Weather Payment respectively.

Note 5: SFC Forecasts for Disability Living Allowance Expenditure from 2021-22 to 2027-28 includes forecast expenditure for the Scottish replacement benefit, Child Disability Payment.

Note 6: BGAs for Industrial Injuries Disablement Scheme includes Industrial Death Benefit.

† Indicates outturn; BGAs are shown as positive as they represent additional funding

56. There are no reconciliations required for Scottish Social Security benefits expenditure, as the Scottish Government manages any variance between forecast and actual expenditure in-year.

57. However, as with the fully devolved taxes, the BGAs for benefits do undergo reconciliations and are reconciled in two stages. An in-year reconciliation is made within the financial year at the UK autumn fiscal event on the basis of the most recent OBR forecasts, and, once outturn data is available in the following financial year, a final reconciliation is applied to the Block Grant for the financial year thereafter (i.e two years after the Budget was set).

58. Table 15 shows the provisional net Budget position for Social Security benefits expenditure for 2021-22.

Table 15: 2021-22 Provisional Outturn Compared with Forecasts		(£ million)¹		
		Expenditure	BGA	Net Position
Carer's Allowance	Forecast as of Budget Act 2021	-306.0	308.7	+2.7
	Outturn	-295.4	293.2	-2.2
	Outturn against forecast	+10.6	-15.4	-4.8
Attendance Allowance	Forecast as of Budget Act 2021	-549.8	546.4	-3.4
	Outturn	-524.5	516.8	-7.7
	Outturn against forecast	+25.3	-29.6	-4.4
Adult Disability Payment²	Forecast as of Budget Act 2021	-1,669.4	1,681.6	+12.3
	Outturn	-1,784.1	1,754.3	-29.8
	Outturn against forecast	-114.7	+72.7	-42.1
Disability Living Allowance³	Forecast as of Budget Act 2021	-695.9	684.7	-11.2
	Outturn	-697.0	704.7	+7.7
	Outturn against forecast	-1.1	+20.0	+18.9
Industrial Injuries Disablement Scheme⁴	Forecast as of Budget Act 2021	-80.2	80.8	+0.6
	Outturn	-81.2	81.0	-0.2
	Outturn against forecast	-1.0	+0.1	-0.8
Severe Disablement Allowance	Forecast as of Budget Act 2021	-6.8	7.3	+0.5
	Outturn	-6.6	6.6	-0.0
	Outturn against forecast	+0.2	-0.7	-0.5
TOTAL SOCIAL SECURITY	Forecast as of Budget Act 2021	-3,308.1	+3,309.5	+1.4
	Outturn	-3,388.8	+3,356.5	-32.3
	Outturn against forecast	-80.7	+47.0	-33.7

Note 1: There are minor differences in the methodology used to calculate the SFC's spending forecasts and the BGA forecasts, which are based on expenditure outturn and OBR forecasts, so comparisons should be interpreted with caution.

Note 2: Adult Disability Payment is the replacement benefit for Personal Independence Payment

Note 3: Outturn and SFC Forecasts for Disability Living Allowance includes expenditure for Disability Living Allowance (Child). This will continue until case transfer to the Scottish replacement benefit, Child Disability Payment, is complete.

Note 4: BGAs for Industrial Injuries Disablement Scheme includes Industrial Death Benefit
Figures may not sum due to rounding.

59. Table 15 shows that the difference between the BGAs used to underpin the Scottish Budget 2021-22 and the provisional outturn BGAs for total Social Security benefits expenditure is positive £47.0 million. As shown in Table 16 below, £3.0 million was added to the Scottish Budget as an in-year reconciliation in 2021-22 and a further provisional final reconciliation of positive £43.9 million is required, which will be applied to the Scottish Budget 2023-24. The net effect of the in-year reconciliation and the final reconciliation equates to the £47 million referenced above.

Table 16: Social Security 2021-22 expenditure BGA Reconciliation (£ million)		
	BGA	Reconciliation
Carer's Allowance	Forecast BGA - Scottish Budget 2021*	308.7
	Forecast BGA - UK Budget 2022	294.8
	In-year reconciliation applied to 2021-22 Block Grant	-13.9
	Provisional Outturn BGA	293.2
	Provisional Reconciliation applied to 2023-24 Block Grant	-1.5
Attendance Allowance	Forecast BGA - Scottish Budget 2021*	546.4
	Forecast BGA - UK Budget 2022	521.5
	In-year reconciliation applied to 2021-22 Block Grant	-24.9
	Provisional Outturn BGA	516.8
	Provisional Reconciliation applied to 2023-24 Block Grant	-4.7
Adult Disability Payment¹	Forecast BGA - Scottish Budget 2021*	1,681.6
	Forecast BGA - UK Budget 2022	1,723.3
	In-year reconciliation applied to 2021-22 Block Grant	+41.6
	Provisional Outturn BGA	1,754.3
	Provisional Reconciliation applied to 2023-24 Block Grant	+31.0
Disability Living Allowance²	Forecast BGA - Scottish Budget 2021*	684.7
	Forecast BGA - UK Budget 2022	687.0
	In-year reconciliation applied to 2021-22 Block Grant	+2.3
	Provisional Outturn BGA	704.7
	Provisional Reconciliation applied to 2023-24 Block Grant	+17.7
Industrial Injuries Disablement Scheme³	Forecast BGA - Scottish Budget 2021*	80.8
	Forecast BGA - UK Budget 2022	79.4
	In-year reconciliation applied to 2021-22 Block Grant	-1.4
	Provisional Outturn BGA	81.0
	Provisional Reconciliation applied to 2023-24 Block Grant	+1.6
Severe Disablement Allowance	Forecast BGA - Scottish Budget 2021*	7.3
	Forecast BGA - UK Budget 2022	6.7
	In-year reconciliation applied to 2021-22 Block Grant	-0.7
	Provisional Outturn BGA	6.6
	Provisional Reconciliation applied to 2023-24 Block Grant	-0.1
TOTAL SOCIAL SECURITY	Forecast BGA - Scottish Budget 2021*	3,309.5
	Forecast BGA - UK Budget 2022	3,312.6
	In-year reconciliation applied to 2021-22 Block Grant	+3.0
	Provisional Outturn BGA	3,356.5
	Provisional Reconciliation applied to 2023-24 Block Grant	+43.9

* BGAs set at Scottish Budget 2021 rather than UK Budget due to later than anticipated UK Budget
Note 1: Adult Disability Payment is the replacement benefits for Personal Independence Payment.

Note 2: Outturn and SFC Forecasts for Disability Living Allowance includes expenditure for Disability Living Allowance (Child). This will continue until case transfer to the Scottish replacement benefit, Child Disability Payment, is complete.

Note 3: BGAs for Industrial Injuries Disablement Scheme includes Industrial Death Benefit.

Figures may not sum due to rounding.

60. The latest forecasts of the net effect on the Scottish Budget 2022-23 for Social Security benefits are shown in Table 17 below. These figures are indicative only. There have been no updated OBR forecasts since the UK Spring Statement in March 2022 nor SFC forecasts since May 2022 and therefore the latest forecast net effect on the Scottish Budget is indicative.

Table 17: Forecast Social Security Net Budget Position for 2022-23 (£ million)¹

		Expenditure	BGA	Net Position
Carer's Allowance	Forecast as of Budget Act 2022	-314.9	323.0	8.1
	Latest Forecast	-321.1	318.3	-2.8
	Change	-6.1	-4.8	-10.9
Attendance Allowance	Forecast as of Budget Act 2022	-544.6	544.5	-0.1
	Latest Forecast	-539.4	538.6	-0.8
	Change	+5.3	-5.9	-0.7
Adult Disability Payment²	Forecast as of Budget Act 2022	-1,948.5	1,933.2	-15.3
	Latest Forecast	-2,043.6	1,953.4	-90.2
	Change	-95.1	+20.2	-74.9
Disability Living Allowance³	Forecast as of Budget Act 2022	-709.8	687.2	-22.6
	Latest Forecast	-714.0	698.2	-15.8
	Change	-4.3	+11.0	+6.7
Industrial Injuries Disablement Scheme⁴	Forecast as of Budget Act 2022	-80.5	79.2	-1.3
	Latest Forecast	-80.1	79.3	-0.8
	Change	+0.5	+0.1	+0.5
Severe Disablement Allowance	Forecast as of Budget Act 2022	-6.2	5.9	-0.2
	Latest Forecast	-6.2	6.2	+0.0
	Change	+0.0	+0.2	+0.3
Winter Heating Payment²	Forecast as of Budget Act 2022	-21.1	14.2	-6.9
	Latest Forecast	-20.4	7.6	-12.8
	Change	+0.7	-6.6	-5.9
TOTAL SOCIAL SECURITY	Forecast as of Budget Act 2022	-3,625.6	3,587.3	-38.3
	Latest Forecast	-3,724.7	3,601.5	-123.2
	Change	-99.1	+14.2	-84.9

Note 1: There are minor differences in the methodology used to calculate the SFC's spending forecasts and the BGA forecasts, which are based on expenditure outturn and OBR forecasts, so comparisons should be interpreted with caution.

Note 2: Adult Disability Payment and Winter Heating Payment are the replacement benefits for Personal Independence Payment and Cold Weather Payment respectively

Note 3: Outturn and SFC Forecasts for Disability Living Allowance includes expenditure for Disability Living Allowance (Child). This will continue until case transfer to the Scottish replacement benefit, Child Disability Payment, is complete.

Note 4: BGAs for Industrial Injuries Disablement Scheme includes Industrial Death Benefit
Figures may not sum due to rounding.

61. The change in the forecasts for the BGA reflects the difference between the BGA used in the Budget Act 2022 and the forecast of the BGA provided at the UK Spring Statement in March 2022. The actual in-year reconciliation will be based on updated BGA forecasts provided alongside the next set of OBR forecasts later this year.

Benefits Yet to Commence

62. Responsibility for Cold Weather Payment will formally transfer to the Scottish Government in winter 2022, with a new Scottish benefit - Winter Heating Payment - launching in Scotland to replace it. The Fiscal Framework Outturn Report will first detail the Cold Weather Payment outturn in 2023.

63. Responsibility for Winter Fuel Payment has yet to be transferred to the Scottish Government and therefore these payments are not funded from within the Scottish Budget. The Department for Work and Pensions will continue to make these payments to people in Scotland for winter 2022-23. An update will be provided in due course.

8. Reconciliation Requirement for the Scottish Budget 2023-24

64. Table 18 below gives the total provisional reconciliation requirement for the Scottish Budget 2023-24. It shows the net impact of the reconciliation for Income Tax from 2020-21 and for the BGA reconciliations for the fully devolved taxes, Fines, Forfeitures and Fixed Penalties, and Social Security benefits expenditure for 2021-22.

Table 18: Total Provisional Reconciliation Requirements for the 2023-24 Budget (£ million)

Income Tax 2020-21	Outturn		+50.4
Of which:			
Final revenue reconciliation	Outturn	-417.4	
Final BGA reconciliation	Outturn	+467.8	
LBT 2021-22 provisional BGA reconciliation	Provisional Outturn		-59.8
SLfT 2021-22 provisional BGA reconciliation	Provisional Outturn		-12.3
FFFP 2021-22 provisional BGA reconciliation	Provisional Outturn		+0.4
PoC 2020-21 final BGA reconciliation	Outturn		N/A
Social Security 2021-22 provisional BGA reconciliation	Provisional Outturn		+43.9
Total Provisional Reconciliation Requirement			+22.5

Note: Figures may not sum due to rounding.

For more detail on the individual entries see tables in sections 3, 4, 5, 6 and 7.

9. Borrowing

Capital Borrowing

65. Table 19 shows the Scottish Government's capital borrowing plans.

Table 19: Capital Borrowing and Repayment Schedule (£ million)							
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Debt Stock at start of year	607	1,036	1,258	1,617	1,744	1,814	1,976
New In Year Borrowing*	450	250	405	200	150	250	250
Principle Repayments	-	7	26	52	60	67	71
Interest Repayments	-	8	11	13	14	16	15
Existing Resource Cost	-	15	37	64	74	83	86
Resource Cost of Projected Borrowing	-	-	-	-	-	0	14
Projected Total Resource Cost	0	15	37	64	74	83	100
Notional Borrowing Repayments	9.4	20.5	20.5	20.5	20.5	20.5	20.5
Debt Stock at end of Year	1,036	1,258	1,617	1,744	1,814	1,976	2,128
Percentage of debt cap	35%	42%	54%	58%	60%	66%	71%
Headroom	1,964	1,742	1,383	1,256	1,186	1,024	872
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Debt Stock at start of year	2,128	2,266	2,389	2,498	2,591	2,669	2,744
New In Year Borrowing*	250	250	250	250	250	250	250
Principle Repayments	72	73	74	75	75	63	51
Interest Repayments	14	13	13	11	10	10	9
Existing Resource Cost	86	86	86	86	86	73	60
Resource Cost of Projected Borrowing	35	57	79	101	124	146	169
Projected Total Resource Cost	122	144	166	187	210	219	228
Notional Borrowing Repayments	20.5	20.5	20.5	20.5	20.5	20.5	20.5
Debt Stock at end of Year	2,266	2,389	2,498	2,591	2,669	2,744	2,816
Percentage of debt cap	76%	80%	83%	86%	89%	91%	94%
Headroom	734	611	502	409	331	256	184

*New In-year Borrowing from 2022-23 is projected borrowing based on the current Scottish Government capital borrowing plans, as detailed in paragraphs 9.4 and 9.5 below

66. The Scottish Government borrowed £150 million in 2021-22 to support capital expenditure. This is less than the £450 million originally planned. The borrowing was drawn down from the National Loans Fund in February will be repaid over a 20-year period, at an interest rate of 1.44% percent.

67. The Scottish Government included plans to borrow £450 million in 2022-23 Scottish Budget. Final decisions on the specific borrowing arrangements for 2022-23 will be taken over the course of the year.

68. The Scottish Government amended its Capital Borrowing policy as detailed in Chapter 4 of Scotland's Fiscal Outlook: The Scottish Government's Medium-Term Financial Strategy in May 2022.¹³ The previous Capital Borrowing policy was designed to support the Scottish Government's National Infrastructure Mission (NIM), within the limits of the Fiscal Framework. The revised policy seeks to maintain this support for the NIM but take account of longer-term fiscal sustainability.

69. The revised policy assumes that £450 million of annual funding will be available through borrowing, the Scotland Reserve and Barnett consequential, of which £250 million will initially be assumed to be capital borrowing. Where further capital borrowing is required to support funding, the terms of any borrowing will be amended to balance the resource cost impact and longer-term fiscal sustainability. Accordingly, it is assumed that the Scottish Government will borrow £250 million annually at a 15-year tenor.

70. However, all borrowing drawdown decisions will, by necessity, take into account the in-year budget management position.

71. On the basis of existing borrowing included in Table 19, the Scottish Government had accumulated £1.8 billion in capital debt at the end of 2021-22, 60 per cent of its overall limit.

72. In its report, "Scotland's Economic and Fiscal Forecasts", published on 31 May 2022, the Scottish Fiscal Commission judged the Government's projections of capital borrowing as reasonable if they are risk-assessed and reviewed each year.¹⁴

¹³ Chapter 4 [Scotland's Fiscal Outlook: The Scottish Government's Medium-Term Financial Strategy - gov.scot \(www.gov.scot\)](#)

¹⁴ Paragraph 2.65 in [Scotland's Economic and Fiscal Forecasts - May 2022 | Scottish Fiscal Commission](#)

Resource Borrowing

74. The Scottish Government must balance its Budget each year and has very limited powers in relation to resource borrowing. The overall limit of resource borrowing is £1.75 billion, and the total annual limit is £600 million. Resource borrowing can be used for in-year cash management (maximum £500 million annually) and in cases of forecast error (maximum £300 million annually, increasing to £600 million in case of a Scotland-specific 'economic shock'). Further details on the circumstances in which the Scottish Government can invoke its resource borrowing powers are set out in the Fiscal Framework Technical Note.¹⁵

75. Due to the triggering of the Scotland-specific economic shock provision of the Fiscal Framework, the annual borrowing limit for forecast error was raised to £600 million from 2021-22 up to and including 2023-24. Although the conditions for an economic shock were met, it is not possible for the Scottish Government to apply resource borrowing to provide an economic stimulus – only to meet forecast error in relation to receipts or demand-led Social Security spending.

76. In 2021-22 the Scottish Government borrowed £319 million, in line with plans as outlined in the Scottish Budget. This was primarily set against the final reconciliations relating to 2018-19 Scottish Income Tax and 2019-20 fully devolved taxes and Social Security benefits expenditure. However, reconciliations and borrowing plans fluctuate throughout the year, reflecting revisions to forecasts of devolved tax receipts, demand-led Social Security expenditure and associated block grant adjustments. The Scottish Government must consider the overall budget management position and ensure the Scotland Reserve limits are not breached when finalising borrowing plans towards the end of the financial year.

77. A negative £15 million reconciliation was applied to the Scottish Budget 2022-23, relating to 2019-20 Scottish Income Tax, 2020-21 fully devolved taxes, FFFP and Social Security. The Budget outlined plans to use the Scottish Government's resource borrowing powers in 2022-23 to borrow £15 million to fully offset the impact of the negative reconciliation. This borrowing has not yet been drawn down, as borrowing drawdowns are subject to the in-year financial position.

78. Chapter 4 of Scotland's Fiscal Outlook: The Scottish Government's Medium-Term Financial Strategy from May 2022¹⁶ sets out the principles and policies that guide the use of the Scottish Government's approach to resource borrowing.

79. The aim of the resource borrowing policy is to borrow in the optimum manner to mitigate the effects of adverse forecast errors on the Scottish Budget over the medium term. This takes into account the effect of forecast reconciliations, resource

¹⁵ [Fiscal framework: factsheet - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/consultations-petitions/ip/ip-2022-01/fiscal-framework-factsheet)

¹⁶ [Annex B: Fiscal Framework - Scotland's Fiscal Outlook: The Scottish Government's Medium-Term Financial Strategy - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/consultations-petitions/ip/ip-2022-01/annex-b-fiscal-framework-scotland-s-fiscal-outlook-the-scottish-governments-medium-term-financial-strategy)

borrowing and costs of resource borrowing. As the forecast reconciliation profile is itself subject to volatility, these plans are continually re-assessed.

80. The outstanding debt from resource borrowing was £505 million at the end of 2021-22, over £1.2 billion below the cumulative Resource Borrowing limit of £1.75 billion. It is highly unlikely that the Scottish Government will ever approach this cumulative limit, given the combination of the Fiscal Framework annual restrictions and the low likelihood of the cash management borrowing power being required.

10. Scotland Reserve

81. The opening balance in the Scotland Reserve at the start of 2021-22 was £608 million. The closing balance on the Reserve for 2021-22 was £650 million, as reported to Parliament at Provisional Outturn in June 2022 and as detailed in Table 20.

	Resource	Capital	Financial Transaction	Total
2021-22 Opening Balance	404.7	6.8	196.9	608.4
2021-22 Planned Drawdowns	404.7	6.8	196.9	608.4
2021-22 Additions to reserve	421.0	183.0	46.0	650.0
2021-22 Closing Balance (Provisional)	421.0	183.0	46.0	650.0

82. Chapter 5 of *Scotland's Fiscal Outlook: The Scottish Government's Medium-Term Financial Strategy* from May 2022 sets out the principles and policies that guide the use of the Scottish Government's fiscal powers, including the use of the Scotland Reserve.

11. Sources of data and publication timetable

83. This section provides information on the various sources of data that have been used in compiling this report, together with the dates of publication. A complete list is given below in Table 21.

<i>Data</i>	<i>Source</i>	<i>Date of Publication</i>
Income Tax Revenue Outturn	Scottish Income Tax Outturn Statistics	7 July 2022
	As confirmed in the HMRC Trust Statement	18 July 2022
Income Tax BGAs	UK Spring Statement	23 March 2022
	Provisional Outturn Data	June 2022
LBTT/SLfT Revenue Outturn	Final figures will be published in Revenue Scotland's Annual Reports & Accounts, 2021-22	November 2022
UK Stamp Duty and Landfill Tax Outturn	HMRC Tax receipts and National Insurance contributions for the UK	21 July 2022
LBTT/SLfT BGAs	UK Spring Statement	23 March 2022
FFFP Revenue Outturn	Scottish Government unpublished data	N/A
	HM Courts & Tribunals Service Trust Statement 2021-22	14 July 2022
UK FFFP Outturn	UK Spring Statement	23 March 2022
FFFP BGA	UK Spring Statement	23 March 2022
Social Security Expenditure Outturn	Final figures will be published in Social Security Scotland Annual Accounts	TBC by November 2022
DWP Social Security Expenditure Outturn	Provisional outturn provided by DWP (unpublished)	N/A
	DWP Benefit expenditure by country and region	TBC
Social Security BGAs	UK Spring Statement	23 March 2022
Scottish Fiscal Commission forecasts	Scottish Fiscal Commission Scotland's Economic and Fiscal Forecasts	31 May 2022
	Scottish Budget 2022-23	9 December 2021
	Scotland's Fiscal Outlook: The Scottish Government's Medium-Term Financial Strategy	31-May-22

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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: 978-1-80435-946-4 (web only)

Published by The Scottish Government, September 2022

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS1146962 (09/22)

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