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Bruce Crawford MSP  
Convener  
Finance and Constitution Committee  
Scottish Parliament  
Edinburgh  
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7 December 2020

Dear Bruce,

The Office for Budget Responsibility (OBR) published updated UK Government tax revenue and social security expenditure forecasts on November 25. These forecasts inform the provisional Block Grant Adjustments (BGAs) for the Scottish Budget 2021-22. Table A in the annex to this letter sets out the BGAs for Income Tax, Land and Buildings Transaction Tax (LBTT), Scottish Landfill Tax (SLfT), and the devolved Social Security benefits.

As you will be aware, the Scottish Budget is based on provisional Block Grant Adjustments where it takes place before the UK Budget. The UK Government has agreed, as with the Scottish Budget 2020-21, that the Scottish Government can choose to use the updated BGAs that will be provided alongside the UK Budget (date tbc) should it wish.

As you know, these BGA figures only provided half of the story as the full impact on Scotland's Budget will not be known until the SFC publish their forecasts in January.

The following additional points may also be of particular interest to the Committee.

### **In-year reconciliations to the 2020-21 Budget**

The 2020-21 BGAs for the Fully Devolved Taxes and Social Security benefits have been updated to reflect the latest forecasts of corresponding tax receipts and social security expenditure in the rest of the UK. This update has resulted in the changes outlined to the 2020-21 BGAs at Table B in the Annex. To reflect these changes, a positive reconciliation of £149 million will be added to the 2020-21 Block Grant. As noted above, this only provides half of the story, and SFC forecasts alongside the Budget will allow a rounded picture of the net position.

Tha Ministearan na h-Alba, an luchd-comhairleachaidh sònraichte agus an Rùnaire Maireannach fo chumhachan Achd Coiteachaidh (Alba) 2016. Faicibh [www.lobbying.scot](http://www.lobbying.scot)

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## **Reconciliation to the 2021-22 Budget**

There will be a -£318.7 million reconciliation to the 2021-22 Budget relating to 2018-19 Income Tax and the 2019-20 BGAs for LBTT, SLfT, Fines, Forfeitures and Fixed Penalties, and Carer's Allowance.

This is a small change of +£1.9 million, compared to the figure reported in our Fiscal Framework Outturn Report published in October 2020, reflecting the final outturn data for Fines, Forfeitures and Fixed Penalties. Final figures are provided in Table C.

I hope you have found this update helpful, and my officials would be happy to provide any further information on the block grant adjustments to Committee Members, as required.



**KATE FORBES**

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## ANNEX A

**Table A Block Grant Adjustments - OBR forecasts November 2020 (£m)**

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Income Tax	-11582	-11811	-11788	-12295	-12840	-13475	-14104
LBTT	-533	-391	-515	-544	-601	-666	-723
SLft	-99	-87	-95	-91	-79	-74	-80
<b>Total Tax</b>	<b>-12214</b>	<b>-12288</b>	<b>-12399</b>	<b>-12930</b>	<b>-13520</b>	<b>-14214</b>	<b>-14907</b>

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
AA	N/A	531	546	564	586	608	638
PIP	N/A	1555	1682	1856	2009	2158	2309
DLA	N/A	719	685	665	642	610	557
CA	283	289	309	333	355	379	404
IIDA	N/A	84	81	79	77	76	74
SDA	N/A	8	7	7	7	6	6
<b>Total SS</b>	<b>283</b>	<b>3185</b>	<b>3310</b>	<b>3503</b>	<b>3676</b>	<b>3837</b>	<b>3988</b>

indicates outturn data  
 All BGAs are calculated using the IPC method  
 Figures may not sum due to rounding

**Table B In-year reconciliations to the 2020-21 Budget**

	2020-21 BGA set at Scottish February 2020 Budget (£m)	2020-21 BGA based on OBR 25 November forecast (£m)	Change in the forecast BGA from Scottish Budget (£m)
LBTT	-557	-391	+166
SLft	-87	-87	+0
Social Security Benefits with a BGA <sup>1</sup>	+3,203	+3,185	-17
<b>Total</b>	<b>+2,559</b>	<b>+2,708</b>	<b>+149</b>

<sup>1</sup> CA, DLA, PIP, IIDA, SDA, AA

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**Table C Total Final Reconciliation Requirements for the 2021-22 Budget (£m)**

Income Tax 2018-19		-309.4	
Of which:	-621.5		
Final Revenue reconciliation			
Final BGA reconciliation	+312.0		
LBTT 2019-20 final BGA reconciliation		-5.8	
SLfT 2019-20 final BGA reconciliation		-2.1	
FFFP 2019-20 final BGA reconciliation		1.9	
PoC 2019-20 final BGA reconciliation		0.0	
Carer's Allowance 2019-20 final BGA reconciliation		-3.3	
<b>Total Final Reconciliation Requirement</b>		<b>-318.7</b>	

To note that the in-year reconciliations for the 19-20 fully devolved taxes and social security benefits were based on the Scottish Budget February 2020 BGAs, so the final reconciliations set out here reflect the changes between the outturn data and the Scottish Budget February 2020 BGAs.

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