**Competent, financially prudent Scottish Government**

This part of the guide sets out key information about how the system stands in 2019-20. 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
- Scotland Reserve

**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 2019-20**

**Scottish Budget in 2019-20 is £42.6 Billion**

- The Scottish Government’s latest published accounts are for 2017-18 and they were given a clean bill of health by Audit Scotland. This was the 13th consecutive year they received an unqualified opinion. The 2018-19 accounts will be published in September 2019.
- For financial year 2017-18 the Scottish Government, its Executive Agencies and the Crown Office and Procurator Fiscal Service made 98.2% 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 2019-20:**

<table>
<thead>
<tr>
<th>Scottish Income Tax</th>
<th>Non-Domestic Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and Buildings Transaction Tax</td>
<td>Scottish Landfill Tax</td>
</tr>
</tbody>
</table>

- Scottish Income Tax
- Non-Domestic Rates
- Land and Buildings Transaction Tax
- Scottish Landfill Tax
The Scottish tax landscape 2019-20

ILLUSTRATIVE CHART BASED ON DEVOLED POWERS IN 2019-20
What is planned to be spent in 2019-20

PORTFOLIO BUDGETS 2019-20
(SOME PERCENTAGES ARE ROUNDED)

FINANCE, ECONOMY AND FAIR WORK
£5.3bn 12.5%

JUSTICE
£2.7bn 6.4%

COMMUNITIES AND LOCAL GOVERNMENT
£12bn 28.0%

CULTURE, TOURISM AND EXTERNAL AFFAIRS
£331m 0.8%

ENVIRONMENT, CLIMATE CHANGE AND LAND REFORM
£427m 1.0%

SOCIAL SECURITY AND OLDER PEOPLE
£585m 1.4%

IN 2019-20 THE LOCAL GOVERNMENT SETTLEMENT TO SUPPORT COUNCILS ADDS UP TO ALMOST £11.2 BILLION

TOTAL PORTFOLIO EXPENDITURE 2019-20
£42.6bn
The Smith Commission - on whose conclusions the Fiscal Framework is based - envisaged a fundamental change in how the Scottish Government would be funded. It foresaw a substantial proportion of the Government’s Budget coming directly from tax revenues raised in Scotland and greater borrowing powers.

The main objective of the new Fiscal Framework was to change the funding arrangement to support the transfer of tax and social security powers to Scotland while, to a significant extent, retaining the stability of Block Grant funding. It also increased the Scottish Government’s borrowing powers.

The guiding principle of the Framework is ‘no detriment’. This means neither the Scottish nor the UK Government being worse off as result of the powers transferring.

THE FISCAL FRAMEWORK IS AN AGREEMENT BETWEEN THE UK AND SCOTTISH GOVERNMENTS THAT SETS THE RULES FOR HOW SCOTLAND’S TAX AND SOCIAL SECURITY POWERS ARE MANAGED AND IMPLEMENTED.

THE TIMELINE OF CHANGE


SCOTTISH PARLIAMENT CAN INCREASE OR REDUCE INCOME TAX BY 3P IN THE POUND

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 AND ALSO GAINS AN INCREASE IN BORROWING POWERS

SCOTTISH PARLIAMENT GAINS FURTHER POWERS TO SET INCOME TAX RATES AND BANDS

TWO NEW BANDS ARE ADDED TO THE SCOTTISH INCOME TAX SYSTEM TO IMPROVE FAIRNESS, PROTECT LOWER EARNING TAXPAYERS AND RAISE MORE FUNDING FOR PUBLIC SERVICES

ASSIGNMENT OF VAT RECEIPTS

REPLACEMENT FOR AIR PASSENGER DUTY

AGGREGATES LEVY

HOW THE SCOTTISH BUDGET IS CALCULATED

COMPONENT ONE - BARNETT FORMULA DETERMINED BLOCK GRANT

COMPONENT TWO - DEDUCTION TO REFLECT UKG REVENUES FORESEE (BGA)

COMPONENT TWO - ADDITION TO REFLECT UKG SOCIAL SECURITY EXPENDITURE AND NON-FORESEE (BGA)

COMPONENT THREE - REVENUES RAISED FROM DEVOLVED TAX IN SCOTLAND

= FUNDING FOR SCOTTISH BUDGET

- Component One - Barnett formula determined Block Grant - Barnett continues to determine the initial size of the Block Grant.

- Component Two - Adjustment to the Block Grant - The Block Grant is adjusted to reflect the impact of the transfer of tax and social security powers to the Scottish Budget.

- Component Three - Devolved Revenues - These are the revenues now retained from devolved and assigned tax powers which contribute to Scotland’s funding.
How our funding system is changing

WHERE THE SCOTTISH GOVERNMENT BUDGET COMES FROM

<table>
<thead>
<tr>
<th>Year</th>
<th>Scotland Act</th>
<th>Block Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
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<tr>
<td>2016</td>
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</table>

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.

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

ESTIMATES ONCE ALL FISCAL POWERS HAVE BEEN DEVOLVED
How our Social Security system is changing

The Social Security (Scotland) Act 2018 sets up a framework for a new Scottish Social Security System. Once powers are devolved the Scottish Parliament will control 16%* of social security spend in Scotland. The value of social security benefits to be devolved is expected to be in the region of £3.5 billion in 2020-21.

*Percentages based on 2017-18 figures (latest available at publication)

In 2019-20 we will: deliver over £434 million of social security benefits:

- Carer's Allowance: £283m
- Carer's Allowance Supplement: £37m
- Best Start Grant: £12m
- Funeral Support Payment: £6m
- Scottish Welfare Fund: £33m
- Discretionary Housing Payments: £63m

Responsibility for all devolved benefits, including their funding, will sit with the Scottish Government from 1 April 2020. The timetable for the delivery of the next wave of devolved benefits is:

In summer 2020, Social Security Scotland will open to new claims for Disability Assistance for Children and Young People, our replacement for Child Disability Living Allowance.

By end 2020, Social Security Scotland will open to new claims for Disability Assistance for Older People, our replacement for Attendance Allowance, for people over the state pension age who need someone to help look after them because of a disability or long-term illness.

By end 2020, children who receive the highest care component of Disability Assistance will also be entitled to Winter Heating Assistance.

By end of 2021, Social Security Scotland will also open to new claims for Carer's Assistance, our replacement for Carer's Allowance, folding together that benefit, Carer's Allowance Supplement and additional money for carers of more than one disabled child in a way that meets carers' needs.

By end of 2021 Social Security Scotland will open to new claims for the most complex form of Disability Assistance for Working Age People, our replacement for the UK Government's Personal Independence Payment (PIP).

In early 2021, Winter Heating Assistance and Cold Spell Heating Assistance delivered to some eligible recipients in their current form and to those in receipt of assistance from Social Security Scotland. An agency agreement will mean the DWP processes payments for the remaining recipients, with Social Security Scotland growing the caseload year on year.