

Investing in Scotland's Future: Resource Spending Review

May 2022

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Foreword by the Cabinet Secretary for Finance and Economy



I am pleased to present the Scottish Government's Resource Spending Review.

We embarked on this spending review at a very different time - prior to the illegal Russian invasion of Ukraine, rising inflation and the cost of living crisis. At that time our focus was on four key challenges – reducing child poverty, addressing the climate crisis, building a strong and resilient economy and helping our public services recover strongly from the pandemic. These remain our priorities but we now face a different and more challenging fiscal environment in

which to address them.

With inflation already reaching 9 per cent this year - its highest level for more than 40 years – this spending review now also sets out the support the Scottish Government is providing to help those struggling with the increased cost of living, alongside the challenges for public services that result from rising inflation and a lack of investment by the UK Government.

While countries across the world are facing rising inflation, and the challenges of recovering from the COVID-19 pandemic, in the UK these issues are amplified by the deep and lasting damage to our economy caused by Brexit, contributing to one of the highest inflation rates in the G7. Despite this, the UK Government is refusing to rule out a trade war with the European Union over the implementation of the Northern Ireland protocol that they negotiated and ratified.

The UK Government has belatedly taken action to mitigate some of the impact of rising energy prices on households. Although welcome, that support does not match the rise in the energy price cap and does not address the broader impact of inflation on business and public services. In short, we know the next year will be difficult for those on low incomes, those running small firms and those working in our public sector and we must recognise the risks these pose to the economic recovery from the pandemic.

The current economic crisis has highlighted again that Scotland does not currently hold the levers required to address our most pressing challenges.

Funding available for investment in public services through the rest of this parliament is currently constrained. As a result of escalating inflationary pressure, the Scottish Budget for this current year was already reduced in real terms by 5.2 per cent relative to the previous year. Growth in spending capacity over the rest of the parliament, once social security transfers are excluded, is only 2 per cent in real terms. This low level of investment is deeply damaging at a time when the UK Government has the flexibility and powers to do more.

The challenge presented by this low level of investment, as we emerge from the pandemic is heightened by the volatility created by the way the fiscal arrangements work. While there

will always be a degree of volatility in the economic and fiscal outlook, the resulting effect on our funding position can be dramatic. Again, Scotland is not unique in having to manage the financial impact of the pandemic, but we are alone in requiring to fund these tax adjustments without the ability to borrow enough to prudently manage the impact. There is also the possibility that UK Government decisions reduce the block grant at any point during the parliament.

A different fiscal approach to the next four years is needed urgently, with additional public spending required and action taken to reduce the increasing burden faced by households, businesses and the public sector across Scotland and the UK as a whole. An injection of support for this financial year alone will not be enough. Austerity has already proven to not only be ineffective in terms of securing an economic recovery, and it also results in misery and suffering for so many. The UK Government must learn from the mistakes of the past and chart a different course out of the current crisis.

Despite these difficult fiscal conditions this spending review does deliver on our priorities.

This review begins a journey of reform to meet the most pressing issues facing Scotland over the medium-term. This means that rather than a uniform increase across portfolios, this spending review prioritises delivery of the commitments made in the Programme for Government and Bute House Agreement, specifically:

- Reform to improve outcomes for children currently living in poverty;
- Reform to help achieve the just transition to a net zero and climate resilient society where we play our part in tackling the global climate crisis;
- Reform in the way we experience our public services as we recover from the COVID-19 pandemic; and
- Transformation of our economy to enable growth, opportunity and a sustainable outlook for our future.

It addresses the cost of living crisis through continuing support for increasing the Child Payment to £25 by the end of this year, a payment only available to households in Scotland, and uprating eight Scottish benefits by 6 per cent at the same time as investing in energy efficiency and supporting the continued development of low carbon technologies.

It also provides for pay settlements that support the lowest paid who are most impacted by the current crisis. We have consistently sought to support those in our public sector. Public sector pay in Scotland is around 7 per cent higher than in the rest of the UK due to the increases we have provided over the last few years, however, we know that people are understandably looking for more help.

Alongside this review we have also conducted a targeted review of our capital spending plans, to deal with lower-than-expected funding from the UK Government, and to ensure capital priorities align with the ambitions set out in the Programme for Government and Bute House agreement.

My aim is to provide as much clarity and certainty as I can to public bodies, other delivery partners, businesses, communities and households about the Government's forward spending plans, so that the fiscal context and the drivers for reform are clear. The figures in this spending review are not fixed annual budgets. There are many factors underpinning this spending review that are outwith our control, particularly those subject to UK Government actions. Even so, the spending review provides a clear planning scenario for annual budgets over the remainder of the parliament. As a result of the constraints I have set out these are necessarily challenging, with a sharp focus on efficiency, structural change and collaboration.

Delivering on our key priorities whilst also mitigating the cost of living crisis will require difficult decisions, but the outcome should be lower levels of child poverty, a faster growing economy, continued progress on our journey to net zero, stronger public services and crucial support for households and businesses during a time of extraordinary economic pressure. This spending review delivers the vision needed to secure a prosperous future for Scotland.



Kate Forbes MSP

Cabinet Secretary for Finance and Economy

1. Strategic Overview

This is the Scottish Government's first resource spending review since 2011. It sets out the high-level parameters for resource spend within future Scottish Budgets up to 2026-27 and provides a long-term plan focused on the outcomes we want to see, to deliver on our ambitious 'Programme for Government' and the 'Bute House Agreement' with the Scottish Green Party.^{1 2} It offers a strategic funding framework for the Scottish Government and our many partners to plan for the future. The public sector in Scotland needs this clarity so it can continue to deliver for the people of Scotland now and for generations to come.

This section sets out the challenges the spending review addresses, and broadly how the Scottish Government is continuing to direct public spending towards strategic outcomes within the constraints upon us.

1.1 Economic and Fiscal Context – the challenge we face

The volatile economic and fiscal context makes it essential that the Scottish Government offers leadership and direction in the prioritisation of public spending. Scottish Government's 'Medium-Term Financial Strategy' (May 2022) published alongside this document sets out the economic and fiscal outlook in detail, and it is clear that choices will have to be made in future Budgets over the remainder of the parliament that take account of the challenges the Scottish economy faces.³

With inflation at a 40-year high of 9 per cent, households and businesses are under significant pressure, while still recovering from the shock of the COVID-19 pandemic.⁴ Bottlenecks in supply chains are proving more persistent than originally feared, including due to continued COVID-19 restrictions in China. The Russian invasion of Ukraine and the increases in global commodity and energy prices are continuing to exacerbate significant cost pressures across the economy, adding to the underlying impacts of EU Exit, which have meant that the UK has one of the highest rates of inflation in the G7.

Within this context, the Scottish labour market has remained robust, with low levels of unemployment, elevated levels of vacancies, and intense competition for staff between employers, putting upward pressure on earnings growth. Despite this, wages and earnings have not maintained pace with the rapidly rising rate of inflation. As a result, the Office for

¹ Scottish Government (2021), [A Fairer, Greener Scotland: Programme for Government 2021-22](#) – September 2021.

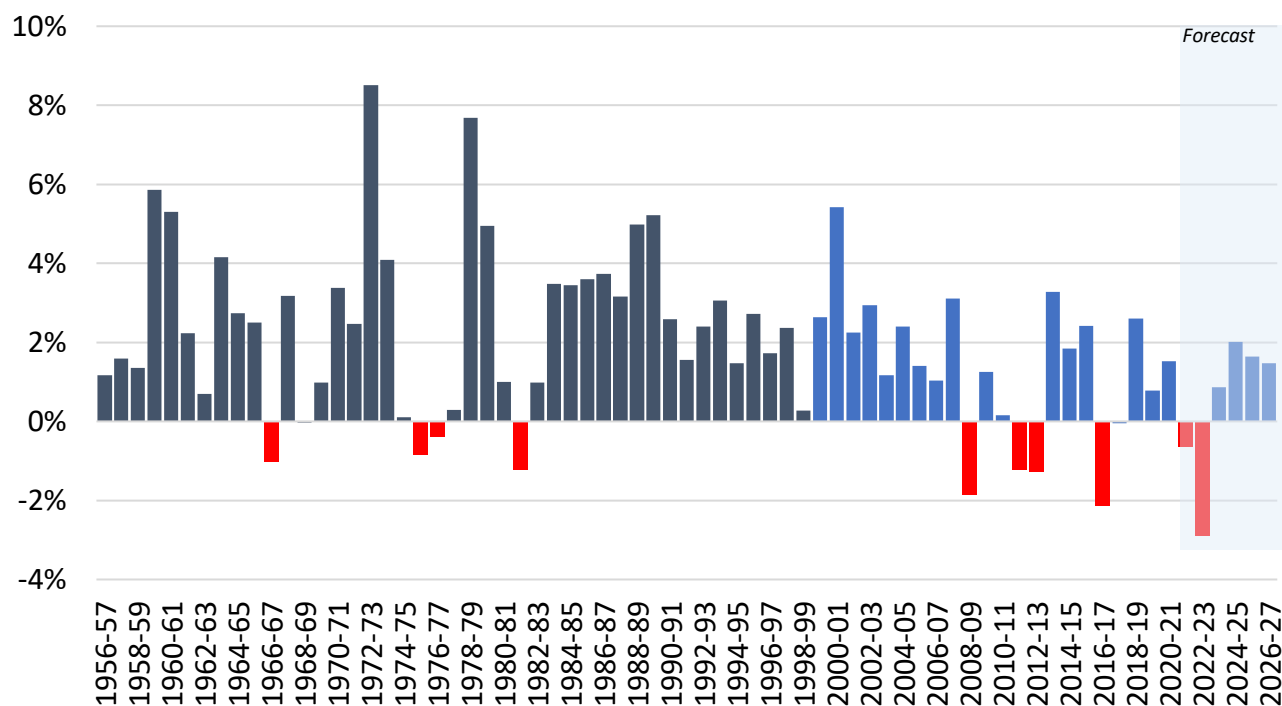
² Scottish Government (2021), [Scottish Government and Scottish Green Party – Shared Policy Programme](#) – September 2021.

³ Scottish Government (2022), [Medium-Term Financial Strategy](#) – May 2022.

⁴ Office for National Statistics (2022), [Consumer price inflation, UK: April 2022](#) – May 2022

Budget Responsibility (OBR) and Scottish Fiscal Commission (SFC) are now both forecasting the largest fall in household living standards since records began.^{5 6 7}

Figure 1: Change (%) in real household disposable income per person



Source: ONS, SFC. Scottish figures (SFC) available from 1998-99, UK figures (ONS) provided from 1956-1957.

Whilst this pressure is being felt by most households, the impact is greater for low-income households who need to spend a greater proportion of their income on food and energy, where inflationary pressures are particularly intense.

We also face significant volatility in our funding outlook. The funding available to the Scottish Government can vary substantially over time as economic forecasts change and as the UK Government revises its spending plans. The difference in timing between the UK Spending Review, OBR forecasts and SFC forecasts, which form the basis of our funding envelope, has contributed to the uncertainty. Unlike the UK Government, the Scottish Government is extremely constrained through the Fiscal Framework, a legislative requirement to balance the budget and by limitations on its ability to borrow or increase tax revenue to fund additional resource spending to manage these fluctuations. The Scottish Government is fully deploying the levers we have under the framework, however, it is increasingly clear that they are insufficient to manage the challenges we face.

⁵ Scottish Fiscal Commission (2022), [Scotland's Economic and Fiscal Forecasts](#) – May 2022.

⁶ Office for Budget Responsibility (2022), [Developments in the outlook for household living standards](#) – March 2022.

⁷ Office for Budget Responsibility (2022), [Economic and fiscal outlook - March 2022](#) – March 2022.

The spending decisions of the UK Government are the single largest determinant of our funding position, as they feed through to the Block Grant via the Barnett formula. The Scottish Government has no control over the spending decisions of the UK Government and cannot determine growth in the Block Grant. The UK 'Autumn Budget and Spending Review 2021' in October 2021 set out a funding cash envelope for the Scottish Budget at a time when inflation was at 3.1 per cent and only expected to rise to 4.4 per cent in 2022.⁸ Taking high inflation into account, the true spending power of those funding envelopes has already been significantly eroded, and to date the UK Government has chosen not to adjust spending plans to reflect this.

The central funding position which underpins this spending review is based on current tax policies and reflects a range of assumptions built into official forecasts. The funding envelopes set out here are indicative of what we can reasonably expect over the spending review years, but it is the Scottish Government's annual budgets which will confirm these. Similarly, tax policy decisions are also generally reserved for annual budgets and any changes to tax policy will be considered in the round in line with our published 'Framework for Tax 2021' and prevailing economic conditions.⁹

The UK Spending Review settlement provides the basis for Barnett projections in the first two years of the Resource Spending Review.¹⁰ This provided a baseline increase of just 1.8 per cent in cash terms each year which is a real-terms decrease of 0.6 per cent. This is below average cash terms uplifts since 2010 of over 2 per cent. We assume the UK Government will decide to spend over and above its spending review announcements so have included a further £250 million in 2023-24 and £400 million in 2024-25. Nevertheless, we remain at the mercy of decisions in Westminster which are often at short notice and taken late in the financial year.

This is clearly insufficient to meet the challenges we face. Without a substantial response at UK level by the UK Government, using economic levers currently reserved to Westminster to bring down inflation and mitigate the risk of a recession, there will be some areas where we will not be able to achieve our desired outcome. Unlike the Scottish Government, the UK Government has the fiscal levers which could be used to mitigate the severest impacts of the cost of living crisis and the risk of rising poverty levels in the most vulnerable parts of our society. However, the UK Government has so far chosen to prioritise future year tax cuts, rather than act now to support the most vulnerable. This limits the funding available to us to provide services, to support households and business and to invest in our workforce, restricting what we can achieve through this Resource Spending Review.

1.2 Delivering Strategic Outcomes for Scotland

The resource spending plans we present in this review build on our track record of directing public spending to where it benefits the people of Scotland most.

⁸ UK Government (2021), [Autumn Budget and Spending Review 2021](#) – October 2021.

⁹ Scottish Government (2021) [Framework for Tax 2021](#) – December 2021.

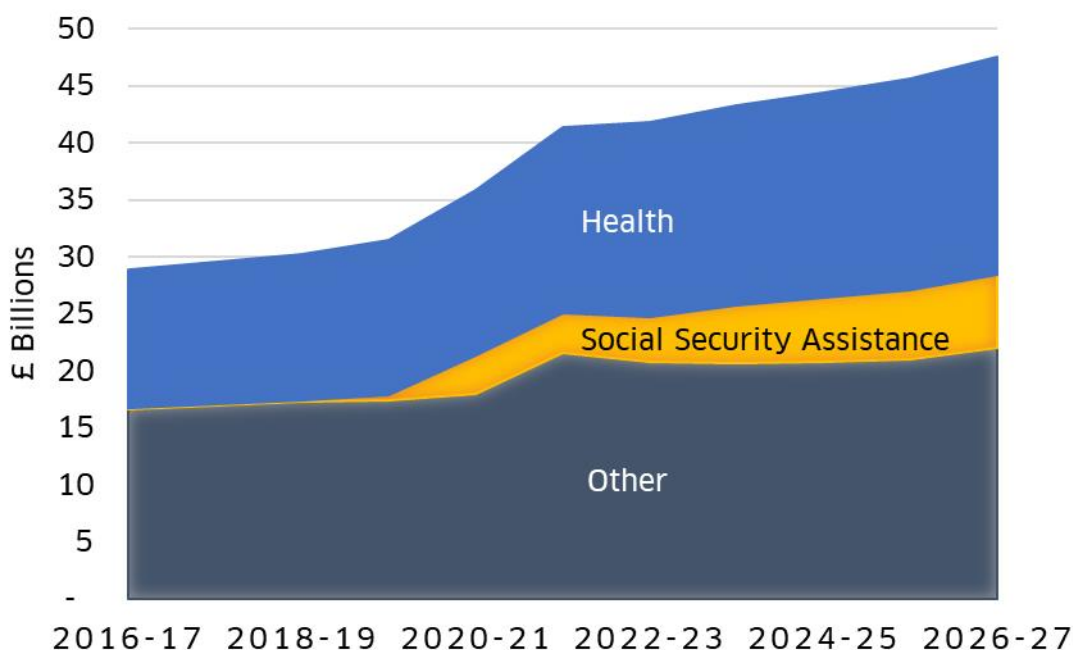
¹⁰ UK Government (2021), [Autumn Budget and Spending Review 2021](#) – October 2021.

Over the remainder of the parliament, the Scottish Government will direct the allocation of around £180 billion of public funds and our focus on outcomes and reform will ensure we maximise its public value. Within this, £73.1 billion will be invested in health and social care including in developing a National Care Service, £22.9 billion for social security assistance including the game changing Scottish Child Payment, and a guaranteed £42.5 billion funding for local government for the delivery of local services, £12.3 billion for education and skills and £11.6 billion for the justice system.

Our plans also indicate around £18 billion of capital investment over the period to 31 March 2026, which will be used to fund capital programmes across portfolios including improvements in Scotland’s transport network, the NHS and wider public sector estate, affordable housing and the shift to a low carbon economy, with over half a billion of additional funding directed to net zero programmes, compared to previous plans.¹¹

¹¹ Scottish Government (2022), [The Outcome Of The Targeted Review Of The Capital Spending Review – Updated Spending Allocations For 2023-24 To 2025-26](#) – May 2022.

Figure 2: Trends in Scottish Government expenditure, 2016-17 - 2026-27



Source: Scottish Budget; 2016-17 to 2022-23

As is clear from Figure 2, the plans set out in this review are building on strong foundations of increasing public investment in priority outcomes for Scotland. For example, from 2016-17 to 2022-23 the Health and Social budget has risen by £5 billion, and the budget for Social Security Assistance has risen by £3.9 billion. By the end of the Review period in 2026-27 these budget lines will have increased by £6.9 billion and £6.3 billion respectively. The spending review locks in recent growth in budgets across all portfolios, despite prevailing fiscal challenges.

Since the last spending review, we have rightly set, with the Parliament’s agreement, stretching and ambitious child poverty and climate change targets. To meet these targets, we must allocate resources accordingly.

We have demonstrated this through sustaining the additional investment announced in the ‘Best Start, Bright Futures: Tackling Child Poverty Delivery Plan’ published in March 2022.¹² The spending review supports the flagship increase in the Scottish Child Payment, as the most significant measure currently available to the Scottish Government for addressing child poverty, and other key commitments such as the expansion of free school meals and concessionary travel for younger people.

This spending review also supports the delivery of the Scottish Government’s updated Climate Change plan, Climate Change Adaptation Programme, Sectoral and Regional Just Transition Plans and the North East and Moray Just Transition Fund, alongside measures

¹² Scottish Government (2022), [Best Start, Bright Futures: tackling child poverty delivery plan 2022 to 2026](#) - March 2022.

identified in the Programme for Government and Bute House Agreement to address the climate crisis, in a way that is fair and just.

A number of measures to support both of these priorities also support action to mitigate the impact of the cost of living crisis. These include support for social security payments, the Scottish Child Payment and investment in energy efficiency - and the spending review sets out plans for building on these over the medium term.

In meeting those challenges it is critical that Scotland has a strong economy that underpins our ability to deliver on these outcomes. We want our economy to be globally competitive and sustainable, with thriving businesses and quality jobs and fair work for everyone. The commitments set out in the 'National Strategy for Economic Transformation' (NSET) are therefore supported in this spending review.¹³

The resource spending set out in this review will drive the Scottish Government's vision for Scotland's public services. We are committed to strong, responsive public services which serve individuals' needs, improve national outcomes and create the right opportunities for Scotland to be healthier, happier and more prosperous. We want public funding to build a Scotland where communities are inclusive and empowered, and people grow up loved and respected, well-educated, and healthy. The collective impact of the investment we are making will help us achieve this.

Building on these choices, in support of our strategic priorities, the spending review now presents further specific investment to deliver on our national goals, including:

- Delivering our commitment to increased year on year funding for the National Health Service investing £73 billion over the period of this review, with 50 per cent of that invested in community health services.
- Investing in social care and integration over the spending review period laying the groundwork for the National Care Service, bringing social care into parity of esteem with healthcare and transforming the provision of this essential service.
- More than doubling the value of the Scottish Child Payment (SCP) to £25 per week per child and rolling out the SCP in full to children under 16, by the end of 2022 and maintaining this over the spending review period.
- Implementing measures which reduce the cost of the school day, including expanding free school meal provision and working to build a system of school age childcare that is free to those on the lowest incomes.
- Funding to recruit 3,500 additional teachers and 500 support staff.
- Continuing to deliver the Scottish Attainment Fund, to tackle the poverty related attainment gap.

¹³ Scottish Government (2022), [Scotland's National Strategy for Economic Transformation - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/nset-2022/pages/1-10-introduction.aspx) - March 2022.

- Addressing backlogs in the justice system, supporting victims of crime and continuing to reduce reoffending.
- Supporting all parts of government to deliver the National Strategy for Economic Transformation.
- Delivering on our employability offer to parents by spending £670 million over the review period to help reduce child poverty – supporting thousands of parents into work, and parents already in work to increase their earnings.
- Spending £160 million over the spending review period on digital transformation to deliver better outcomes - bringing 300,000 households online through the Connecting Scotland programme and enabling access to gigabit and superfast broadband.
- £95 million of further investment across the review period to support increasing levels of woodland creation.
- Resource funding to support capital investment in low carbon infrastructure and affordable housing over the period of the Capital Spending Review including £1.8 billion to make homes and buildings warmer and an increase in active travel spending to a combined resource and capital total of £320 million a year over the period.

Creating the best possible conditions for delivery of these actions and wider outcomes featured strongly in responses to the Resource Spending Review framework public consultation launched in December 2021. The report outlining the findings of the valuable contributions received to this consultation, together with an ‘Equality and Fairer Scotland Statement’ are published alongside this document.¹⁴

Section 2 sets out more detail on *what* the Scottish Government aims to achieve through the spending review while section 3 sets out how we intend to deliver reforms that will maximise funding for investment in services and deliver better outcomes. Information relating to portfolio spending is set out in section 4.

1.3 Public Service Reform – efficiency for better outcomes

These challenges, uncertainties and constraints in the economic and fiscal outlook make it essential to drive reform across public services, policies and programmes, in order that resources are targeted effectively to deliver the best outcomes for Scotland.

While there are year-on-year increases in the resource budget available to the Scottish Government, a significant proportion relates to increased social security responsibilities. In addition, while devolved funding has decreased compared to the levels of investment

¹⁴ Scottish Government (2022), [Equality and Fairer Scotland Statement](#) – May 2022.

available at the height of the COVID-19 pandemic, the impacts of the COVID-19 pandemic continue to put significant pressure on the NHS, wider public services and budgets. The cost of delivering public services and of building public infrastructure is increasing, just as household costs are, with inflation running at 9 per cent, a 40-year high. As we continue to prioritise our spending, we need to do so in a context where the purchasing power of the public pound has reduced.

This situation therefore demands a range of responses, including a re-energised drive for innovation and efficiency. The more efficient and effective we can become in the delivery of public services, the more able we will be to achieve key priorities and direct support towards those who need it most.

1.4 Public Service Delivery

Decisions taken by the UK Government to reduce public sector headcount and hold pay levels well below inflation, have a consequence through the Barnett formula for Scottish Government funding and public sector employees in Scotland. Whilst we recognise the need to reset the public sector following the COVID-19 pandemic, including by returning to a pre-pandemic size, the Scottish Government does not support the approach being taken by the UK Government. We will manage a transition that supports the well-being of the workforce and follows our Fair Work principles.

To do this, the Scottish Government will use this spending review as a springboard to begin a new and purposeful phase of engagement with delivery partners and public sector bodies, trade unions, public sector employees and service users to help Scotland navigate the challenge of a post-COVID-19 pandemic reset. This will include improving post-pandemic employee wellbeing, meeting shared objectives of fairness and sustainability, driving high quality service delivery and ensuring sustainable levels of public sector pay. In doing so, we will be guided by the lasting principles of the Christie Commission and our commitment to Fair Work. We will be focused on how a high-performing public sector continues to make a vital contribution within Scotland's economy, environment and society.

This work will begin with meetings with trade unions and public sector bodies to ensure there is a shared understanding of the challenge and to build a collaborative approach to identifying solutions.

To support the spending plans set out in this review, section 3 identifies key areas for reform over the life of the parliament (which generally exclude local government given their separate responsibilities), including:

- Changes to working practices, with our Fair Work principles at their heart, to support greater flexibility and continued hybrid working across the public sector.
- A pathway to return the overall size of the public sector workforce broadly to pre-COVID-19 pandemic levels, while supporting expansion in key areas of service delivery, helping to hold total pay bill costs - as opposed to pay levels - at 2022-23 levels.

- Support through public sector pay arrangements for those on the lowest incomes faced with the hardest impacts of the cost of living crisis.
- An enhanced focus on delivering efficiency savings across the public sector, while recognising existing efficiency programmes in some sectors, which we will support through a variety of levers including:
 - Fresh consideration of the public body landscape, with further engagement ahead of the next Budget about a programme of reform;
 - A multi-year estates programme to make the best use of public sector property and other assets, reflecting the impact of the COVID-19 pandemic on ways of working and the delivery of services;
 - An increased focus on maximising revenue through innovation, reflecting the guidance in the Scottish Public Finance Manual;
 - A programme of digital reform, focused on inclusion and connectivity, developing a strong digital economy and investment in digital transformation of public services; and
 - The development of a strategy for public procurement that will drive greater collaboration and value for money.

1.5 Spending Plans - overview

The vision and supporting actions set out in this spending review underpin the high-level planning assumptions that are being provided to Scottish Government portfolios. Annual budgets for portfolios, local government and public bodies for the period 2023-24 to 2026-27 will be presented to the Parliament through the annual budget process, reflecting updated funding assumptions, economic and fiscal forecasts and tax policy decisions. However, the funding envelopes included in this spending review (summarised in Table 1) are intended to guide financial planning and reform across the public sector, in anticipation of future Scottish budget setting processes.

Table 1: Resource Spending Envelopes, £ million (current prices)

See Chapter 4 for full set of tables.

	2022-23	2023-24	2024-25	2025-26	2026-27
Constitution, External Affairs and Culture	294	314	294	294	294
Crown Office and Procurator Fiscal Service	170	170	170	170	170
Deputy First Minister and Covid Recovery	43	43	43	43	73
Education and Skills	2,927	2,943	2,943	2,963	3,472
Finance and Economy	553	556	561	566	629
Health and Social Care	17,106	17,550	17,995	18,536	19,029
Justice and Veterans	2,839	2,839	2,839	2,954	2,969
Net Zero, Energy and Transport	1,633	1,669	1,704	1,793	2,088
Rural Affairs and Islands	881	879	879	884	885
Social Justice and Housing	4,619	5,621	6,274	6,658	7,053
Local Government	10,616	10,616	10,616	10,616	10,716
Scottish Parliament and Audit Scotland	122	122	122	122	122
	41,802	43,322	44,440	45,599	47,500

2. Delivering Strategic Outcomes for Scotland

We are committed to providing strong, responsive public services which serve the needs of people and communities, improve national outcomes and create the right opportunities for Scotland to be healthier, happier and more prosperous. We will invest public funding to build a Scotland where communities are fairer, inclusive and empowered, and people grow up loved and respected, well-educated, and healthy. We will work to ensure our economy is globally competitive and sustainable, with thriving businesses and quality jobs and fair work for everyone. The collective impact of the investment we are making through the spending review will help achieve this.

To do this we must also maintain sustainable public finances, ensuring we can meet the needs of today and those of future generations. This requires a strong focus on ensuring our policies deliver the outcomes needed, within the constraints of the spending envelope available to us.

The multi-year spending framework set out in this document will enable public sector bodies and delivery partners to work with the Scottish Government to plan effectively over the medium-term for the future of Scotland's public services.

These plans are distinct from annual budgets and do not replace that normal process. More detailed spending plans, including how key priorities will be funded, will be set out in the 2023-24 Scottish Budget and subsequent annual budgets.

The spending review provides an overarching financial framework focusing on four key Scottish Government priorities:

- Tackling child poverty;
- Addressing the climate crisis;
- Securing a stronger, fairer, greener economy; and
- Delivering excellent public services.

As set out previously, our focus must also now be on supporting the Scottish public through the cost of living crisis as best we can with the powers available. Action is already being taken in the current financial year, setting the foundation for longer-term steps supported by the spending review.

2.1 The Cost of Living Crisis

Since the spending review framework was published for consultation in December 2021, addressing the cost of living crisis is clearly a further and immediate priority.¹⁵ Every household across the UK is impacted but those on low incomes are hardest hit. The Scottish Government is doing everything within its powers and fixed budgets to ensure people, communities and businesses are supported as far as possible. However, it is clear that while both the UK and Scottish Governments are faced with the same crisis in the cost of living, we do not have the same fiscal or regulatory powers to respond to it.

We will continue to press the UK Government to do all that it can within the wider economic and fiscal powers available to them. The Scottish Government has prioritised tackling child poverty, reducing inequalities and supporting financial wellbeing. Almost £770 million in cost of living support is already being delivered in 2022-23. This package of support includes social security payments not available anywhere else in the UK, to help households. This reflects a conscious decision on the part of the Scottish Government to prioritise areas of spend that help families, including mitigating UK Government welfare cuts as far as possible, which therefore means that funding isn't available for other areas of spending. Within a fixed budget, and in the absence of additional funding from the UK Government, we are maximising our spending power to help households most in need. We are taking action across a range of areas, including:

- Doubling the Scottish Child Payment to £20 and increasing it to £25 per child per week and extending it to under 16s by the end of the year, support not provided elsewhere in the UK.
- Providing an annual £520 to families of around 144,000 children and young people with bridging payments ahead of expansion of the Scottish Child Payment, support not provided elsewhere in the UK.
- Our five family benefits, when the Scottish Child Payment is increased, will provide support of up to £10,000 for a child in the first six years of life, and £9,700 for subsequent children. This is over £8,200 more than is available elsewhere in the UK.
- Uprating eight social security payments delivered by Social Security Scotland by 6 per cent, compared to 3 per cent in the rest of the UK, to support people facing rising costs.
- Allocating £150 to all those in council tax bands A-D to help meet rising bills.
- Introducing a new Low-Income Winter Heating Assistance in winter 2022-23 that guarantees a £50 annual payment to over 400,000 low-income households to help with energy bills, support not provided elsewhere in the UK.

¹⁵ Scottish Government (2022), [Investing in Scotland's Future: resource spending review framework](#) – December 2021.

- Introducing the £200 Child Winter Heating Assistance to help families of severely disabled children and young people with their heating bills.
- Introducing the Carers Allowance Supplement to support around 90,000 carers with an additional £450 a year, support not provided elsewhere in the UK.
- Providing over £120 million for the Scottish Welfare Fund and Discretionary Housing Payments to mitigate the UK Government bedroom tax and help around 90,000 tenants sustain their tenancies, support not provided elsewhere in the UK.
- Using public sector pay policy to support those on low incomes.
- Introducing a £10 million Fuel Insecurity Fund in 2022-23 to support a range of direct assistance options to help households at risk of severely rationing their energy use, or self-disconnecting entirely.
- Stepping up our investment to accelerate the deployment of heat and energy efficiency measures and to support those least able to pay.
- Providing £336 million in 2022-23 to heat, energy efficiency and fuel poverty measures.
- Supporting family incomes and helping young children to thrive by giving everyone in primaries one to five access to a free school lunch during term time and over 140,000 children and young people access to food or alternate provision over holiday periods, with plans being developed for further expansion.
- Making free bus travel available for around half of Scotland's population through concessionary travel for eligible people including those over the age of 60, under the age of 22, and those with disabilities.

This builds on existing long-held measures that significantly reduce the cost of living for many across Scotland, such as providing baby boxes, free prescriptions, free university tuition, free personal care, and 1,140 hours of free early learning and childcare which will continue to be maintained. By keeping water in public hands, there are also no water meter charges. We continue to provide free period products in education and community settings.

2.2 Tackling Child Poverty

The recently published 'Best Start, Bright Futures: Tackling Child Poverty Delivery Plan 2022-2026' sets out how the Scottish Government will work with partners to deliver Scotland's national mission to tackle child poverty and drive progress toward the ambitious targets set for 2030.¹⁶

¹⁶ Scottish Government (2022), [Best Start, Bright Futures: tackling child poverty delivery plan 2022 to 2026](#) - March 2022.

The delivery plan is focused on using the three areas recognised as helping reduce poverty – increasing incomes through social security, increasing incomes through employment, and reducing household costs. These steps are complemented by a focus on building the services that will improve family wellbeing outcomes and support children and young people to reach their full potential.

As we navigate the cost of living crisis, our actions in the delivery plan will be all the more vital in supporting household incomes.

Along with the actions outlined above, the spending review and Capital Spending Review include funding plans for the following commitments and interventions:

- Investment of up to £10 million each year to mitigate the Benefit Cap as fully as we can within the scope of devolved powers, with 97 per cent of households impacted having dependent children.
- Enhancing access to advice and support, in places where families already go, investing up to £10 million over the parliament to increase access to holistic advice services, including expanding access to advice in health and education settings.
- Investing to strengthen our employability offer to parents, including keyworker, upskilling, and supported opportunities.
- The delivery of universal free school meals to primary school children in P1-5 and the expansion of provision beyond that along with continued alternate provision during school holiday periods for children from low-income families.
- Continuing our investment in early learning and childcare, including progressing work to build a system of school age childcare that is free to those on the lowest incomes, supported by the publication of a strategic childcare plan later this summer.

In addition to this, a small number of pathfinder areas will take forward an innovative approach to whole-system change, working with partners in local areas throughout 2022-23. Work is already underway to maximise the use of resources to provide holistic support tailored to the individual needs of families. For example, in Glasgow, partners including the city council, the Scottish Government and COSLA have agreed to work together to integrate child poverty interventions across the city with the aim that families in contact with services will be connected with the benefits and employability and other support they are entitled to. In Dundee we are working with the city council, DWP, Social Security Scotland and third sector organisations to test tailored support to assist parents to access work. The success of the outcomes achieved within the pathfinders will be evaluated with programmes scaled up to other localities where these services are delivering positive results for families.

The measures set out in 'Best Start, Bright Futures' will provide direct financial support to low-income families, including helping over 300,000 children through the Scottish Child Payment. It is estimated that this will lead to 50,000 fewer children living in relative poverty.

Together with wider actions taken to date and those set out within the delivery plan, Scottish Government modelling published in March 2022 projected that these steps would help deliver the lowest levels of child poverty in over 30 years. The cost of living crisis will, without further UK Government action, undoubtedly have a negative impact on poverty rates at a time when the Scottish Government is working to reduce them. However, if the UK Government mitigates those impacts, the Scottish Government support set out here would mean that by 2023-24, when interim targets are due to be met, more than 60,000 fewer children are projected to be living in poverty than when the Child Poverty Act was passed in 2017.

Direct financial support is only one of three primary drivers in reducing poverty. The activity supported through the spending review will also continue to progress the opportunities and integrated support parents need to enter, sustain, and progress in work. Through actions taken over the remainder of the parliament, we aim to support up to 12,000 parents to access and sustain employment, and to support up to 3,000 parents already in-work to increase their earnings. This will be enabled by the strategic childcare plan due to be published later this year.

The third driver in reducing poverty is reducing household costs. By continuing the Connecting Scotland programme, families will be provided with digital access linking them to a wide range of services essential to reducing household costs, increasing earnings and improving wellbeing. In addition, we will continue to implement measures which reduce the cost of the school day, including expanding free school meal provision, saving families on average £400 per child per year and allowing more children and young people to access free, nutritious food. We will also continue to deliver alternate provision during school holiday periods for more than 140,000 children who need it most.

2.3 Addressing the Climate and Nature Crises

We are committed to a just transition to a net zero and climate resilient Scotland by 2045, with an ambitious interim target of a 75 per cent reduction in emissions by 2030. This is the most ambitious legally binding commitment for this next decade that we are aware of, for any country in the world. It is also a commitment which is driving real change in Scotland, with emissions down by over 50 per cent compared to the 1990 baseline.

The spending review comes at a critical point in the global challenge to address the climate crisis, adapting to the impacts of the irreversible change that is already evident and seeking to mitigate the extent of future change through a just transition. Following on from COP26 in Glasgow in 2021, our continued high ambition and driving tangible action will ensure Scotland plays its full part in delivering on the Glasgow Climate Pact and retain our position as a global leader on climate action.

We will build on our work at COP26, including using our role on the Under2 Coalition to drive global climate action, and support communities overseas disproportionately impacted by the climate crisis but who have done the least to contribute to it.

Our focus is resolutely on delivering the ambitious packages of economy-wide policies to reduce emissions, set out in the updated ‘Climate Change Plan (2018 – 2032) - update’, and to build resilience to the irreversible impacts in the ‘Climate Change Adaptation Programme (2019 – 2024)’.^{17 18}

Experts agree that public spending now to address the climate crisis delivers future benefits which far outweigh the costs today. Our investment will help tackle the climate and nature crises and support the creation of green jobs across Scotland. However, government investment on its own will not be sufficient. While there are areas of society that should always remain government funded, the scale and urgency of the climate emergency means private and third sector investment will be critical to shift to a net zero, climate resilient, wellbeing economy.

To harness this investment effectively and maximise the impact of collective action to address the climate crisis, activity to move from a “funding to financing” policy model will be scaled up to ensure that future climate change policy leverages private sector investment and action, better amplifying the impact of public investment.

The investment required to address the climate crisis is weighted towards capital funding. The targeted review of capital spending carried out alongside this resource spending review supports critical low carbon capital spending, with an increase of over half a billion pounds directed towards net zero programmes to address the climate crisis over the next three years.

The plans set out in the resource spending review will prioritise the delivery of Scotland’s climate change and nature restoration ambitions by providing for:

- Up to £75 million per year increased resource spend to support delivery of our Heat in Buildings strategy, enabling £1.8 billion (including capital and financial transactions) of overall public investment across this parliament towards decarbonisation of over a million homes and 50,000 non-domestic buildings by 2030.
- Increased investment across the spending review period in active travel, including capital funding, to secure our commitment to invest £320 million per annum from 2024-25 onwards and as part of a shift of transport funding to walking, wheeling and cycling – supporting our commitment to cut car kilometres by 20 per cent by 2030.
- £95 million of further investment across the spending review period to support the scaling-up of activity to meet our annual target of 18,000 hectares of woodland creation target by 2024-25, alongside delivery of ambitious programmes focused on nature restoration and addressing biodiversity loss.
- Investment of over £12 million for peatland restoration across the spending review period, supporting delivery of £62 million of capital spend to double current

¹⁷ Scottish Government (2020), [Securing a green recovery on a path to net zero: climate change plan 2018 – 2032 update](#) – December 2020.

¹⁸ Scottish Government (2019), [Climate Ready Scotland: climate change adaptation programme 2019-2024](#) – September 2019.

restoration rate of 6,000 hectares to the 2023 target of 12,000 hectares per year and then on to the 2024-25 target of 20,000 per year.

- Increased funding to deliver the fisheries management measures for the existing Marine Protected Areas network and meeting our world leading commitment on Highly Protected Marine Areas.
- £4 million of resource spending alongside at least £150 million of capital and financial transaction investment over the spending review for the 10-year North East and Moray Just Transition Fund.
- Starting rollout of the Agriculture National Test Programme, which will support the Preparing for Sustainable Farming strategy launched in April 2022 to improve farmers and crofters' awareness of their climate performance.
- Maintained support for public transport, including £46 million of resource spend to introduce the community bus fund (supported by an additional £30 million of capital funding) and an uplift over the spending review period to maintain the delivery of concessionary travel schemes, driving behavioural change to more sustainable travel options.

Scotland has an abundance of renewable energy resources, and the coming years will see a major acceleration in deployment of on- and off-shore energy generation. The results of the recent ScotWind leasing round reflect the confidence placed in Scotland as a major producer of offshore wind with the market recognising the opportunity of a just transition to a low carbon economy. We have a long-term commitment to the planning and consenting of Offshore Renewable Energy in support of ScotWind and society's longer-term energy needs as we head towards net zero, while also protecting our precious marine environment and respecting the interests of other marine users. We have already made clear that a key priority for the investment of ScotWind revenues will be to tackle the twin climate and biodiversity crises and this Resource Spending Review delivers on that commitment.

While the Scottish Government's focus is on delivering existing climate change targets and commitments, we are also beginning to develop the next Climate Change Plan and Climate Change Adaptation Programme along with the first set of regional and sectoral Just Transition plans. We can therefore anticipate new and strengthened policies. The multi-year resource funding set out in this spending review will need to provide flexibility to further pivot portfolio plans and accommodate future costs for these priority activities.

2.4 A Stronger, Fairer, Greener Economy

A stronger, fairer, greener economy benefits everyone. To achieve the true potential for Scotland to be a highly productive and innovating place to live, work and do business on a global scale, well-functioning capital and labour markets are a prerequisite. For Scottish based businesses to drive sustained higher levels of investment, they need to be able to

draw on an increasingly skilled and dynamic labour market. While the Scottish labour market has remained robust, with low levels of unemployment, addressing skills and labour shortages is key to delivering the step change in productivity across our regions and businesses, boosting both wellbeing and inclusive growth.

Investing in inclusive economic growth is a priority for the spending review, not just to provide employment and incomes to households, but also to safeguard the future of revenues needed to support public services. The recently published 'National Strategy for Economic Transformation' (NSET) outlines our vision for Scotland's economy and streamlines the interventions, investments and actions we will take to deliver this vision.¹⁹

NSET was launched in March this year and contains five transformational programmes, chosen on the strength of evidence and focusing on: stimulating entrepreneurship; building new markets; increasing productivity, including across the regions; developing the skills we need for the decade ahead; and ensuring fairer and more equal economic opportunities. A sixth programme sets out how we will deliver this programme, working in partnership with business and with clear accountability and metrics of success.

A stronger, fairer and greener economy is both a driver and a consequence of our actions to tackle child poverty and address the climate crisis. We are developing prioritised and affordable delivery plans for each of the programmes in NSET, and we have established a new Delivery Board, drawing on expertise from private and public sector leaders, to provide challenge and ensure we deliver transformational change.

This is a shared responsibility across national government, local government and our enterprise and skills agencies. To deliver on our future plans in a greener and fairer way will require action and investment from all parts of government, but government cannot and should not do everything on its own. As part of the spending review, we have completed a significant amount of internal and external engagement. Going forward, active collaboration and partnership with national and regional partners across the private, public and third sectors will be crucial for realising Scotland's ambitions to become a Wellbeing Economy - thriving across economic, social and environmental outcomes.

Current and future plans for a greener and fairer economy are priorities within the spending review, and include the following:

- Through the high-level spending plans set out for the Finance and Economy portfolio and other partners, driving collaboration between economic development agencies focused on the NSET programmes.
- Establishing an Investor Panel, chaired by the First Minister, to attract investment to a pipeline of projects in Scotland that support our transition to net zero.
- Continuing through our Inward Investment Plan to set the direction on new Market Opportunities to attract high quality inward investment and the technologies

¹⁹ Scottish Government (2022), [Scotland's National Strategy for Economic Transformation - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/nset/summary/pages/10_to_14.aspx) - March 2022

required to deliver our ambitions in areas such as Energy Transition, focusing on ScotWind and Hydrogen, Space, and Decarbonisation of Transport.

- Pushing forward with the delivery of our export growth plan, 'A Trading Nation', to scale up Scotland's trade promotion, international reach and profile and targeted support for firms' export capacity.²⁰ In particular, further developing Sector Export Plans in Renewables and Hydrogen to support the growth of renewables exports from Scotland and identifying new and critical markets.
- Our capital plans include £581 million of Financial Transactions towards supporting the economy, including exceeding the commitment to £200 million annual capitalisation of the Scottish National Investment Bank, and renewed support for the enterprise agencies.
- Implementing the next phase of the Green Jobs workforce academy to make sure people have the skills they need as part of a Just Transition.
- Ensuring Fair Work and access to good (and green jobs) is central to how we improve outcomes in the labour market and support people and business through our investments in skills and employability.
- Embedding entrepreneurship in our education system to help young people realise their ambitions and have the opportunity to start and grow businesses in Scotland.

Transforming our economy during a time of immense change and uncertainty requires all sectors to work together. We are committed to reforming the way in which we deliver our economic development, with greater use of digital technology and building on the cross-agency collaboration embodied in the Business Support Partnership. Investments, such as in two Green Freeports, and the National Manufacturing Institute will complement the development of new services such as the Tech-scalers network to support fast-growing businesses, and a Talent Attraction programme within the new migration service to encourage and support entrepreneurship and innovation.

It will be essential to monitor and evaluate our progress effectively. What we measure matters, and our Wellbeing Economy Monitor will allow us to report progress against our ambition for a Wellbeing Economy. Similarly, our delivery plans and progress reports will include data specific to our actions including equality monitoring and will take account of the different strengths, assets and opportunities in Scotland's regions, especially in rural and island areas.

2.5 Effective Public Services

Every day across Scotland we all interact with public services in some way, from the more obvious, such as attending school or going to the GP, to the less obvious, such as using our parks and green spaces. Our public service workers provide services that support people's daily lives. For example, in 2021, this meant educating over 700,000 school children,

²⁰ Scottish Government (2019), [Scotland: a trading nation](#) – May 2019.

administering over 8 million COVID-19 vaccine doses, and providing care at home services for almost 50,000 people aged 65 and over.^{21 22 23}

While it is right that we focus on the priorities set out above, this spending review commits to future funding to improve our existing services. As set out in section 1, we are building on a steady and growing investment in stronger public services for Scotland, within the constraints set out, and to mitigate the unwelcome effects of UK Government policy on some of the most vulnerable in our society. As well as providing funding for existing services to be maintained, the spending review also provides significant investment to drive improvement across all areas of government and to continue the collective recovery from the COVID-19 pandemic, as set out in our 'Covid Recovery Strategy: for a fairer future'.²⁴ Since 2020, the pandemic has affected every single person in Scotland and our recovery from it is much more than just a financial recovery. It also requires leadership in the design and delivery of future public services. This section sets out how the spending review invests in and supports plans to improve public services through the course of this parliament.

Accounting for 44 per cent of annual devolved resource spending in Scotland, the Health and Social Care budget is responsible for improving the health and wellbeing of the population, ensuring that care and support is delivered when, how and where people need it. The budget will support an NHS workforce of over 155, 800 Whole Time Equivalent (WTE) staff, including around 65,000 nurses and midwives, over 11,000 Allied Health Professionals and almost 6,000 medical and dental consultants. The spending review delivers on commitments to increase investment in frontline health services by 20 per cent over this parliament and increases levels of investment in primary and community care to ensure we pivot frontline health spend to support community health services. This will ensure our investment provides more care for people in a place and in a way that meets their needs.

Alongside our existing activity, we will establish the National Care Service. This will ensure social care has a parity of esteem with the NHS and will transform this essential service. This will be backed by a 25 per cent increase in social care investment – the equivalent of more than £840 million – which will also support measures to strengthen the implementation of self-directed support, improve prevention and early intervention and increase community-based support.

We will also continue our vital work to reduce health inequalities. We will invest £250 million over the lifetime of this parliament to tackle drug-related deaths and improve lives through our National Mission including delivering MAT Standards and our Treatment Target, expanding Residential Rehabilitation and introducing long-term funding for the third sector. We will bring forward investment plans for enhanced action through deep end general practice supporting population health in our communities where need is greatest.

²¹ School pupils as at September 2021 census, [Scottish Government \(2021\), Summary Statistics for Schools In Scotland 2021](#) – December 2021.

²² Audit Scotland (2021), Covid-19 Vaccination Programme – September 2021.

²³ Data is 2020-21. Scottish Government (2021), [Free Personal and Nursing Care, Scotland, 2020-21](#) – May 2022.

²⁴ Scottish Government (2021), [Covid Recovery Strategy: for a fairer future](#) – October 2021.

The Education and Skills portfolio is also essential in tackling inequality and invests in changing lives for the better, including support to learners in our schools, colleges, universities and those participating in skills and community learning and development programmes. This spending review confirms investment of £1 billion over the course of this parliament to tackle the poverty related attainment gap and support education recovery through the Scottish Attainment Challenge. Recognising that some families need more support to thrive, we will also progress work to build a system of school age childcare that is free to those on the lowest incomes, and consider how we can successfully invest in early years support for the families who need it most. We will continue to implement measures which reduce the cost of the school day, including expanding free school meal provision, continuing to provide funding for school clothing grant, removing curriculum charges and for free music tuition.

The spending review will provide funding to our dedicated teaching workforce - vital to providing children and young people with the additional support needed as we tackle the impacts of the COVID-19 pandemic. Through supporting the recruitment of 3,500 teachers and 500 support staff we will ensure we have the right expertise working to deliver improved learning and societal outcomes for all children and young people in schools in Scotland, whatever their background and wherever they are being educated.

Education is one area where we deliver in partnership with Local Government to provide high quality, frontline services that improve outcomes for individuals and communities across Scotland. National, local and community collaboration is fundamental to improving public services. The spending review confirms our intention to embark on a new deal with Local Government, founded on the dual pillars of a Fiscal Framework for Local Government alongside a new Partnership Agreement.

The spending review will support and encourage justice agencies to continue the essential process of recovery from the COVID-19 pandemic, addressing the unavoidable backlog of cases built up during the pandemic, alongside wider transformation, with over £50 million in annual funding available for both recovery and reform.

In March 2022, the Scottish Government announced £48 million in funding through the new Victims Centred Approach Fund over the period from 2022 to 2025, reflecting Ministers' commitment to supporting the victims and survivors of crime. The Justice portfolio will also continue to work with other parts of Government, Justice agencies and the third sector to tackle all forms of violence against women and girls.

3. Improving outcomes

The framework for the Resource Spending Review published for consultation in December 2021 set out a mission to deliver effective services for the people of Scotland today, and maintain sustainable public finances that ensure we can continue to meet the needs of future generations. In doing so, the Government's ambition is to drive a programme of reform that will enable significant progress in tackling child poverty, address the climate crisis, foster the transformation of Scotland's economy, and deliver strong public services.

This spending review provides fresh vision for our public services reform programme and sets out a coherent package of action that will drive progress over the life of the current parliament, improving outcomes while driving efficiency and value for public money.

3.1 Key Reforms over the Life of this Parliament

Over a decade on from the Christie Commission's report on the future delivery of public services, its legacy is even more relevant as we rebuild services from the COVID-19 pandemic and face new challenges such as the cost of living crisis, which has been further intensified by the situation in Ukraine, within the limited powers that are available to the Scottish Government.²⁵

Over the course of this parliament, we are committed to a number of key reforms intended to support delivery of the key priorities set out in section 2, improve services and secure better outcomes. These include:

- The **establishment of the National Care Service**, bringing social care into parity of esteem with healthcare and transforming the provision of this essential service. This will be backed by a 25 per cent increase in social care investment – the equivalent of more than £840 million – which will also support measures to strengthen the implementation of self-directed support, improve prevention and early intervention and increase community-based support.
- We remain committed to **Keeping the Promise**, including by investing £500 million in preventative spend through the Whole Family Wellbeing Funding to help transform services that support families, ensuring families can access the support they need, where and when they need it. Our Keeping the Promise implementation plan sets out a route for change to support the lives and wellbeing of our children, young people, adults and families across Scotland who have experience of the care system.
- **The Vision for Justice in Scotland** – our transformative vision of the future justice system for Scotland, spanning the full journey of criminal, civil and administrative justice, with a focus on creating safer communities and shifting societal attitudes and circumstances which perpetuate crimes and harm. Together with our justice partners, we are committed to this

²⁵ Commission on the future delivery of public services (2011), [Commission on the future delivery of public services](#) – June 2011.

vision, with a recognition that work is required across the justice system, and government as a whole, to make this a reality.

- **Education Reform** – establishing a new national agency for education, a new qualifications body and a new inspectorate to replace the Scottish Qualifications Authority and Education Scotland, in order to better support and promote improved outcomes and continuous improvement through co-design and co-creation with learners, families, practitioners and providers.

- **National Strategy for Economic Transformation (NSET)** – five key priority programmes identified as having the greatest potential to deliver economic growth that significantly outperforms the last decade within the current constitutional arrangements.

Through all of these reforms our focus will be on achieving genuinely person-centred services, so people can more easily access the support they need, reducing and removing unnecessary barriers and reducing inequalities of outcome. The Scottish Government's reform principles of people, partnership, prevention, performance and place, will guide all of us across the public sector as we move through the rest of this parliament.

Building on that we can continue to work together to tackle long-standing and deep-rooted inequalities. We have set strong expectations on public bodies and public services to work effectively together and with the private and third sectors using the totality of resources available to improve outcomes.

The multi-year plans set out in this spending review offer an opportunity to address two key issues facing government, delivering the kind of transformation our communities and services need to be fit for the future, whilst ensuring public services are sustainable.

3.2 A New Deal for Local Government

Local Authorities play a vital role in delivering public services and are key partners in the delivery of the priorities set out by the spending review.

To support that, the spending review protects local government by guaranteeing the combination of General Revenue Grant and Non-Domestic Rates Income (NDRI) at existing levels between 2023-24 and 2025-26 including the baselining of the £120 million added during the 2022-23 Budget Bill and an extra £100 million by 2026-27.

As councils ultimately retain every penny of NDRI they collect, this guarantee protects councils from the post-COVID-19 pandemic volatility in the commercial property market and the uncertainties associated with the 2023 Non-Domestic Rates revaluation.

To support councils to plan for the future, the spending review confirms that existing transfers for Health and Social Care, Early Learning and Childcare and additional teachers worth £1 billion will also be maintained. Final decisions about the annual local government settlement including: additional funding to reflect the devolution of Empty Property Relief to councils on 1 April 2023; confirmation of any in-year transfers from other portfolios

which were worth £345 million in 2022-23; and individual council allocations will be taken as normal through the annual Scottish Budget process.

The spending review makes no assumptions about council tax, which is a decision taken at annual budgets. Decisions about fiscal autonomy are part of ongoing discussions to establish a fiscal framework with local government.

Over the course of this parliament there will be significant changes to functions currently delivered in full or in part by local authorities, for example through the creation of a National Care Service which will impact both funding and functions of local government. We have also heard from local government a desire to re-set the relationship with the Scottish Government – an ambition we share.

Discussions on strengthening our partnership began prior to the recent local government elections, and the Scottish Government will therefore work closely with COSLA and SOLACE over the coming months **to agree a new deal for Local Government in Scotland in advance of the next financial year.**

This will:

- Build on the Review of Local Democracy and develop a deeper dialogue and debate on how Scottish and Local Government will work together to achieve better outcomes for people and communities.
- Seek to balance greater flexibility over financial arrangements for local government with increased accountability for the delivery of national priorities so that both partners can have certainty over inputs and outcomes alongside scope to innovate and improve the delivery of services to local communities.
- Explore greater scope for discretionary revenue-raising, such as the Visitor Levy and the newly created Workplace Parking Levy.
- Explore further with COSLA, Digital Office and Revenue Scotland how best to transform the digital administration of the Non-Domestic Rates system.
- Confirm that further flexibilities requested by COSLA will be made available to councils for existing service concession arrangements such as PFI or NPD funded projects; and
- Ensure these decisions are supported by a phased approach towards alignment with the CIPFA Code of Practice for Local Authority Accounting through a comprehensive Capital Accounting Review in partnership with COSLA, Audit Scotland and CIPFA.

Local Government is responsible for deciding how its services are provided and making decisions about pay and workforce management for their staff within the funding available to them. We will engage with local government on the approach to reform set out in this

spending review for the wider public sector and invite local authorities to adopt a complementary approach.

3.3 Innovation and Revenue Raising

Our collective approach to the COVID-19 pandemic, and to recovery from it across the public sector shows we can innovate together and create conditions for sustainable, outcome-led services.

It is imperative that this approach continues as we address the key challenges and priorities set out in this spending review.

In addition, the ‘National Strategy for Economic Transformation’ highlighted the Scottish Government’s ambition to make Scotland an entrepreneurial nation, including building an entrepreneurial mindset within the public sector.

This should not be understood as having a solely financial focus, rather it is about challenging the way in which services are delivered, supporting innovation in pursuit of better outcomes and breaking down barriers to success. It also requires giving permission to organisations to try new approaches that may involve more risk but which could deliver greater reward.

Scotland’s public services have a strong national and international reputation for innovation and performance. This spending review invites all public sector leaders to consider the scope for innovation that embraces entrepreneurship, improves value for money, offers opportunities for commercialisation, better manages assets and brings benefit to the public purse.

We will also expect public bodies within the scope of the review outlined in section 3.7 below who charge for services to identify ways to recover more of their costs.

Over the coming months, the Scottish Government will engage pro-actively with public sector leaders to identify options that should be prioritised over the spending review period. Initial conclusions will be included in the 2023-24 Scottish Budget.

3.4 Digital Public Services

The 2021 Digital Strategy for Scotland (‘A Changing Nation: How Scotland Will Thrive In A Digital World’) will enable a shared vision of a modern, digital and collaborative government, designed around people.²⁶ This strategy outlines the actions the Scottish Government will take across three key areas covering: digital inclusion and connectivity; developing a strong digital economy; and enhancing the approach to delivering public services through investment in digital transformation.

²⁶ Scottish Government (2021), [A changing nation: how Scotland will thrive in a digital world](#) – March 2021.

Public services that are responsive, inclusive and simple to use are dependent upon people having good connectivity and the skills and confidence to use technology to access them. Our work programmes focus on developing common platforms and digital transformation, that will provide the building blocks for transforming the way government operates, centred on the user experience and implementing digital thinking as well as digital technology across the public sector.

Examples of work programmes progressed through this spending review include:

- The Digital Payments Programme, which will drive efficiencies by providing a centralised payments out/in digital service for public sector organisations.
- The Digital Identity Programme, which will deliver a better user experience, by providing a single digital identity for Scottish citizens to access public services in Scotland.
- The Cloud First Programme, which enables the Scottish public sector to realise the benefits of secure cloud hosting services through accelerating the adoption of modern cloud technology.
- The digital planning programme, which will deliver modern public services that will make planning more accessible, engaging and efficient, realising economic and customer service benefits.

The adoption of common platforms and systems that cut across organisational boundaries, so organisations can focus their staff, resources and innovation on frontline services rather than back-office processes, could improve services and release investment. Innovations supported by this spending review to ensure there is greater capacity to deliver strategic digital policy commitments and better outcomes for Scotland's citizens, include:

- The Connecting Scotland programme bringing 300,000 households online over the parliament enabling the public to engage digitally with public services.
- Investment in connectivity infrastructure, delivering on the Reaching 100 per cent programme (R100) enabling access to superfast broadband to every home and business in Scotland.
- Driving innovation and delivering outcomes on Scotland's National Strategy for Economic Transformation (NSET) through the Programme for Government commitment to expand the CivTech programme.

3.5 Supporting People - public sector pay and workforce

The public sector in Scotland has been resilient and flexible in the face of the COVID-19 pandemic. We owe a debt of gratitude for the dedication and personal sacrifices made by thousands of public sector workers through the most challenging period in our recent

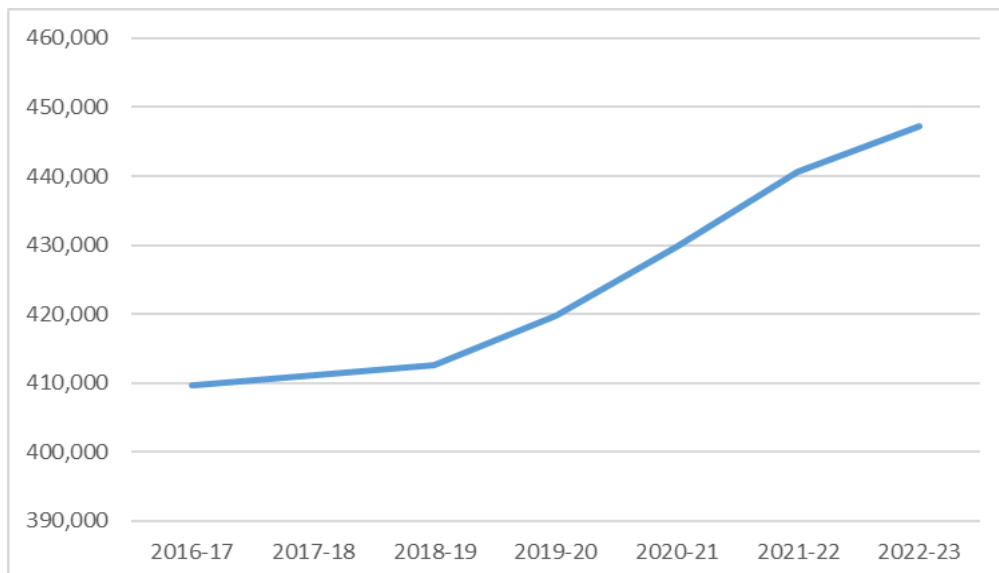
history. The COVID-19 pandemic has also brought changes to ways of working across the public sector, including driving collaboration both across the public sector and with the private and third sectors, reprioritising activities, increasing the use of technology and flexible working, such as remote and hybrid working, and changes to the way in which citizens access public services.

As businesses, households and communities continue to adapt in response to the COVID-19 pandemic and high inflation, this spending review supports the devolved public sector in Scotland to do likewise.

The Scottish Government is committed to the principle of fair work and a public sector pay policy that balances affordability with the need to recognise cost of living challenges, particularly for those on lower incomes, and the ability of public bodies to retain and recruit people with the skills and experience they need to deliver effective services.

It has been necessary to expand the size of the public sector workforce in response to the many challenges presented by the pandemic. However, even before COVID-19 there had been significant underlying growth in the size and cost of the public sector workforce. The devolved public sector employs around 447,000 full time equivalents (around a fifth of Scotland’s workforce). This includes not just government employees but also wider public sector bodies such as the National Health Service. The total devolved public sector pay bill is over £22 billion per year, the majority of which supports the running of frontline public services.

Figure 3: Number of total devolved public sector FTE (full-time equivalent) since 2016-17



Source: Scottish Government

While some of this growth relates to the devolution of new functions to Scotland such as elements of tax and social security, continued growth of the public sector away from frontline services is not sustainable. This is especially the case if UK Government spending

levels – and the related block grant settlements for the devolved administrations – continue to track below inflation. If the total size of the workforce continues to grow this will increasingly squeeze our capacity to maintain services and increase rates of pay in the public sector, at a time of cost of living pressures and evidence of growth in private sector pay in some sectors.

As part of meeting current and future challenges we need to take an approach that balances investment in systems and processes, with targeted workforce growth in priority areas, investment in our people, and the reform and redesign of services, so that they deliver efficiently and effectively.

Accordingly, this spending review supports and invests in people, based on our principles of Fair Work established in dialogue with trade unions, and supports fair and affordable pay uplifts including through the Public Sector Pay Policy – whilst noting the separate responsibility that local government has for its own pay and workforce policies. Pay settlements will build on the current platform of more favourable remuneration for public sector workers in Scotland over recent years, compared with UK Government counterparts. On average, pay within the public sector in Scotland is around 7 per cent higher than in the rest of the UK. During times of UK Government imposed austerity the Scottish Government acted to protect public sector jobs and to ease pay restraint at the earliest opportunity.

Today, while the financial challenge is different and largely relates to the cost of living crisis, the UK Government's response is worryingly familiar and presents a challenge to Scotland's public sector. Not only have they reduced Scotland's block grant funding (the largest component of the Scottish Budget), they froze public sector pay in the middle of the COVID-19 pandemic and are now announcing significant job cuts without proper dialogue. These UK Government decisions have a direct impact on Scotland's block grant and therefore the funding available to support public sector pay.

We can only protect jobs and services if we can agree on settlements within what is available to the Scottish Budget. The Scottish Government will always look to support the lowest paid. However, a balance will be required to deliver sustainable settlements which we hope to achieve in a strategic and collaborative way, through considered dialogue with trade unions and employers, adhering to our Fair Work principles throughout.

To achieve this we propose an approach which aims to hold the total public-sector pay bill (as opposed to pay levels) at around 2022-23 levels whilst returning the overall size of the public sector broadly to pre-COVID-19 levels. This will enable space and flexibility for fair and affordable pay increases that support the lowest paid in these challenging times.

Actions we will discuss with trade unions and public sector bodies (as mentioned above, this excludes local government given their separate responsibilities) include:

- **Ongoing negotiation over 2022-23 settlements based on public sector pay policy**, including the pay reform option within current policy for 2022-23, which provides those public bodies to which it applies with greater flexibility on rates of pay, terms and conditions and supports re-shaping of workforces, reprioritisation and the delivery of strong public services; and also including the commitment to no

compulsory redundancies. The next pay policy will be confirmed alongside the 2023-24 Scottish Budget.

- **From 2023-24, a broad aim for the devolved public sector to maintain the total cost of the overall annual pay bill compared to 2022-23 levels.**
- **A broad aim to return the total size of the devolved public sector workforce to around pre-COVID-19 levels by 2026-27**, through effective vacancy and recruitment management. We do not propose a uniform approach due to varying trends in demand for different services and the recovery of services from COVID-19. We will therefore support flexibility across the public sector, while driving the action needed in the current economic and fiscal context.
- **The Scottish Government will also discuss these objectives with other public bodies** (to establish the scope for reform, innovation and efficiency).
- **Improved wellbeing within the public sector workforce.** Employee engagement and innovative working environments can create the conditions to reduce stress and sickness absence. A reduction in Average Working Days Lost (AWDL) to illness in the public sector by a single day, equivalent to circa 1,700 FTE, could result in around £87 million in annual savings. The Scottish Government is committed to further action in partnership with public sector bodies and trade unions to support employee wellbeing.
- **Invitation to parts of the public sector to participate in the pilot of the four day week set out in the Programme for Government.**
- **Continued development of the use of technology within the public sector to support hybrid and flexible working**, as we also consider the future of the public sector estate and the preferences of employees who have developed new working patterns during the pandemic.

3.6 Levers to Drive Greater Efficiency

This spending review sets an expectation that public bodies will deliver recurring annual efficiencies of at least 3 per cent. As part of this approach, we will develop new approaches to:

- Shared services.
- Use of our estates.
- Effective procurement, and
- Grant management.

3.6.1 Shared Services

The Scottish Government will work with public bodies to consider where a more collaborative approach to service delivery could drive efficiencies as well as capitalising on the experience of partnership working throughout the COVID-19 pandemic. We know that to deliver high quality services to the people of Scotland, we all need to work across boundaries and find connections across organisations that deliver those services. This could be driven further and deeper into our public body landscape through further consideration of the potential of shared services.

Bodies with their own HR or finance functions may benefit from working closely with other bodies delivering similar functions to identify corporate services that can be shared. This may release cost, either of IT, estates, or people, to be more directly focused on service delivery to Scotland's people. **The Scottish Government will lead a series of engagements with public body leaders about the potential for further sharing of services, with initial conclusions reported in the 2023-24 Scottish Budget.**

3.6.2 Scotland's Public Sector Asset Base

A routemap for improvements to the public sector estate has been developed. We will further align the public estate strategy with the transformation, structural change and efficiency of the Christie-based approaches to stronger public services outlined in this spending review. There are around 30,000 public sector properties in Scotland in the local and central estate, ranging from tiny forestry huts to offices. We want to drive the best value from our estate to strategically maximise opportunities to be fit for purpose, efficient and adapt to the evolving demands of delivering government services.

This spending review re-affirms the Scottish Government's commitment to minimise cost and maximise best value and introduce changes to property policy under the Scottish Public Finance Manual: we will:

- **Reduce the public sector estate footprint and costs and have fewer, better buildings which support our people and our service delivery to the public.**
- **Increase co-location, collaboration and the interoperability of offices across the Scottish public sector incorporating flexible location models.**
- **Reduce public sector office carbon emissions.**
- **Increase on-site joint administrative services in public sector offices.**

3.6.3 Effective Procurement

Since devolution, the Scottish Government has led significant reforms and efficiencies in public sector procurement aimed at offering value for public money while driving economic growth, building community wealth and delivering key outcomes through work on net zero and fair work priorities. Annual spending on procurement is £13.3 billion (financial year

2020-2021) or around 25 per cent of the Scottish Budget. The current economic climate and the ongoing impacts of the COVID-19 pandemic present challenges for public procurement, with cost increases in relation to labour, materials and utilities.

This makes it even more essential that commercial advice is brought into policy design early in the decision-making process, especially when the costs of change are high. Including commercial procurement or property advice from the inception of a policy idea can help to build in cost effectiveness and best value options from the start. This will also enable us to maximise our impact through procurement and property spend on wider socio-economic outcomes and ambitions for Scotland bringing the principles and practices of Community Wealth Building to the fore.

We will develop a public procurement strategy for Scotland which will improve how the public sector collaborates and delivers enhanced value for money and both economic and sustainability benefits to the Scottish Government and the wider public sector communities. We will develop new procurement measures which ensure socio-economic benefit is considered on a par with value for money.

This spending review also confirms that we will establish a refreshed strategic “make versus buy” framework for the Scottish Government, to support cross-cutting decision making about the balance between in-house capacity, outsourcing, loans of capacity, the development of capacity where it does not currently exist, or scaling back capacity that is no longer needed.

We will also review the current Scottish Procurement structure, with an aim of increasing cross-sectoral consolidated procurement, building on current sectorial centres of expertise to realise financial efficiencies over the spending review period across the public sector. This work will start in 2023.

3.6.4 Effective Management of Public Sector Grants

The spending review has identified a cross-cutting opportunity to improve the management of grants, particularly general grants, and the impact that grants can have on key outcomes. A multi-disciplinary programme of work will be launched, to report in 2023 to inform the setting of subsequent Scottish Budgets and future grant management.

This work will include:

- Mapping and analysing the value, distribution and purpose of public sector grants.
- The scope for improved commercial scrutiny pre-award and improved grant management post-award.
- The impact that additional conditionality, evaluation and potential clawback options can have in delivering outcomes for the people of Scotland.

3.7 Scotland's Public Bodies

There are currently 129 public bodies in Scotland with responsibilities across areas ranging from health and social care, education, transport, environment, and our culture, our heritage and the built environment. The functions these bodies carry out make a vital contribution to achieving the outcomes set out in the National Performance Framework, as well as driving innovation and reform whilst undertaking arms-length statutory, regulatory and advisory functions.

The COVID-19 pandemic has underlined the critical importance of an effective and vibrant public sector while also demonstrating ways to integrate, improve and reform services vital to families and communities across Scotland. We want to build on this experience and agree the optimal public body landscape for achieving improved outcomes.

Our public services, public bodies and public sector workers are working with commitment to support people and communities across Scotland. Yet we know that the persistence of key challenges, combined with shrinking fiscal resources together with our commitment to environmental and fiscal sustainability mean that reform is inevitable. Taking the opportunity to transform and improve how we work carries significantly less risk than continuing as we are, but with less to go around.

Leaders will already have ideas about where there is scope for transformation and change to improve outcomes. We expect all public bodies to demonstrate that they remain fit for purpose against the present and future needs of Scotland's people, places and communities. Seeking to work collectively, with common purpose, breaking down delivery silos and efficiently using the totality of available resources within the constraints we face. **This is an overarching priority, and we will be working with public bodies leaders in the months to come to make tangible progress on this taking account of the wide range of possibilities for change.** We will set out proposals for the future public body landscape alongside the 2023-24 Scottish Budget.

4. Activity and Spending Envelopes by Budget Area

Health and Social Care

Portfolio Responsibilities

The COVID-19 pandemic has affected every single person in Scotland. Our recovery from it is much more than just a financial recovery. It is about the renewal of Health and Social Care in Scotland. By investing strategically now, we not only improve health outcomes for the people of Scotland, but we also set a sustainable framework for the future.

The Resource Spending Review will support:

- The recovery and redesign of services to increase capacity and deliver a financially, environmentally and socially sustainable health service with continued provision of essential COVID-19 services, including building on the success of the COVID-19 vaccinations programme. Our Health and Social Care workforce is vital to delivering this support and care that we all, in our own ways, depend upon. We will continue to invest in measures to support fair work and pay and continue to support the wellbeing of our health and social care staff and unpaid carers.
- The establishment of the National Care Service, bringing social care into parity of esteem with healthcare and transforming the provision of this essential service. This will be backed by a 25 per cent increase in social care investment – equivalent to more than £840 million – which will also support measures to strengthen the implementation of self-directed support, improve prevention and early intervention and increase community-based support.
- Delivering quality community care, allowing us to reduce pressures on frontline hospital services. We will continue to invest in, and improve our multi-disciplinary approach, rooted in the GP Contract, over the RSR period to improve integration with mental health, addiction, and social care services to deliver enhanced care based on personal individual needs.
- The continuation of our vital work to reduce health inequalities. We will invest £250 million over the lifetime of this parliament to tackle drug-related deaths and improve lives through our National Mission, including delivering MAT Standards and our Treatment Target, expanding Residential Rehabilitation and introducing long term funding for the third sector. We will bring forward investment plans for enhanced action through ‘deep end’ general practice, supporting population health in our communities where need is greatest.

Spending Plans

Table 2: Health and Social Care Portfolio Spending Plans

Level 2*	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m
Health and Social Care	17,084	17,527	17,972	18,513	19,006
Food Standards Scotland	23	23	23	23	23
Total	17,106	17,550	17,995	18,536	19,029

* Figures include rounding adjustments and projected internal running costs which are subject to change as programming is finalised.

Social Justice, Housing and Local Government

Portfolio Responsibilities

The Social Justice, Housing and Local Government (SJHLG) portfolio is responsible for leading the national mission to reduce child poverty, creating a fairer Scotland and tackling inequalities. Funding is prioritised towards action that we know will contribute to meeting our child poverty targets, in conjunction with other portfolios.

The Resource Spending Review will support:

- Action to tackle child poverty with the provision of almost £300 million over the spending review for tackling child poverty and social justice. This includes fulfilling our £50 million commitment announced alongside Best Start, Bright Futures – our second tackling child poverty delivery plan to drive forward actions set out in the plan to deliver on our national mission to tackle child poverty. We will also continue to invest in our parental transitions fund with up to £50 million of funding over the spending review. In addition, our Social Innovation Partnership work will be scaled up with over £60 million being provided for programmes.
- Vital day to day Local Government services with £42.6 billion of funding over the term of the spending review
- The provision of wider social justice support to those impacted by the cost of living crisis through our financial wellbeing programmes.
- Social security and welfare with over £23 billion worth of payments in total. This includes providing a total of almost £1.8 billion for the Scottish Child Payment which we will increase to £25 at the end of 2022 and extend to under 16s, as outlined in the second Tackling Child Poverty Delivery Plan.
- Continued investment to ensure our existing homes offer everyone a warm, safe home that meets their needs; investing over £600 million to prevent and end homelessness; support households struggling to sustain tenancies and mitigate the bedroom tax and benefit cap and through discretionary housing payments; and deliver rented sector reform for more affordable, high-quality homes, rented on a fair basis.

Spending Plans

Table 3: Social Justice, Housing and Local Government Portfolio Spending Plans

Level 2*	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m
Social Security Assistance	3,949	4,958	5,604	5,983	6,359
Local Government	10,616	10,616	10,616	10,616	10,716
Social Security (excluding Social Security Benefits)	404	392	349	323	324
Building Standards	4	4	4	4	4
Housing	149	152	165	172	184
Tackling Child Poverty and Social Justice	34	37	72	96	97
Connected Communities	5	5	5	5	5
Equalities	45	44	44	44	45
Third Sector	22	21	24	24	27
Office of the Scottish Charity Regulator	3	3	3	3	3
Scottish Housing Regulator	5	5	5	5	5
Total	15,235	16,237	16,890	17,274	17,769

* Figures include rounding adjustments and projected internal running costs which are subject to change as programming is finalised.

Finance and Economy

Portfolio Responsibilities

The Finance and Economy portfolio is at the heart of Scottish Government's ambition to build a more prosperous, more productive and more competitive economy: a resilient and fairer economy with strong and sustainable foundations and embracing the opportunities of new technologies.

The National Strategy for Economic Transformation (published in March) sets out the ambitions for Scotland, including stimulating entrepreneurship; building new markets; increasing productivity across our regions; developing skills; and ensuring fairer and more equal economic opportunities. The Finance and Economy portfolio and its funding will directly support delivery of the National Strategy for Economic Transformation five transformational programmes alongside funding and support from other portfolios and partners.

The Resource Spending Review will support:

- Our International Trade and Investment Plans to boost exports and attract inward and capital investment to Scotland. These plans will continue to set the direction on New Market Opportunities, attracting the high-quality investment and technologies required to deliver our ambitions in areas such as Energy Transition, Space, and the Decarbonisation of Transport. We will also establish an Investor Panel, chaired by the First Minister, to attract capital investment to support the transition to net zero.
- Digital transformation, supported by the development of common platforms and adoption of cloud-based technology. This will support modern citizen focused public services as well as the better outcomes for Scotland's citizens through programmes such as bringing 300,000 households online via the Connecting Scotland programme, enabling access to gigabit and superfast broadband via the R100 connectivity programme and delivering on NSET objectives via expansion of CivTech.
- Investment to strengthen our employability offer to parents, as set out in the Tackling Child Poverty Delivery plan 'Best Start, Bright Futures', through actions taken over the remainder of the parliament, aiming to support up to 12,000 parents to access and sustain employment, and to support up to 3,000 parents already in-work to increase their earnings.
- The continued delivery of Ministers' statutory responsibilities and policies for the operation of the planning system and a package of reforms to transform Scotland's Planning system and as well as continued investment in our communities and places.

Spending Plans

Table 4: Finance and Economy Portfolio Spending Plans

Level 2*	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m
Scottish Public Pensions Agency	19	19	19	19	19
Revenue Scotland	7	7	8	8	8
Scottish Fiscal Commission	2	2	3	2	2
Other Finance	50	55	55	55	54
Digital	36	40	43	40	42
Cities Investment, Regeneration and Planning**	30	36	36	34	30
Registers of Scotland***	-	-	-	-	-
Economic and Consumer Advice****	13	11	11	11	10
Enterprise, Tourism and Trade*****	260	253	228	226	237
Scottish National Investment Bank*****	9	7	4	1	-
Employability and Training	124	125	154	168	224
Ferguson Marine	2	2	2	2	2
Total	553	556	561	566	629

* Figures include rounding adjustments and projected internal running costs which are subject to change as programming is finalised.

** Cities Investment, Regeneration and Planning level 2 expanded to include Planning which was previously a separate level 2.

*** Registers of Scotland are broadly self-funded by fees they charge for their services.

**** Economic and Consumer Advice level 2 expanded to include Accountant in Bankruptcy which was previously a separate level 2.

***** Enterprise Tourism and Trade level 2 expanded to include all the Enterprise Agencies (Scottish Enterprise, Highlands and Islands Enterprise and South of Scotland Enterprise) and Visit Scotland.

***** Over the spending review period it is anticipated that the Bank will gradually increase its revenue income to cover operating costs such that by 2026-27 it will become self-funded.

Education and Skills

Portfolio Responsibilities

A key priority for this Government continues to be improving the life chances of our children and young people. The Education and Skills (E&S) portfolio invests in changing lives for the

better, including support to learners in our schools, colleges, universities and those participating in skills and community learning and development programmes.

The Resource Spending Review will support:

- Funding to support the recruitment of 3,500 teachers and 500 support staff. This will ensure we have enough people with the right expertise working to deliver improved learning and societal outcomes for all children and young people in schools in Scotland, whatever their background and wherever they are being educated.
- Investment of £1 billion over the course of this parliament to tackle the poverty related attainment gap and support education recovery through the Scottish Attainment Challenge.
- Following on from the successful delivery of 1,140 hours of high quality funded early learning and childcare, we will progress work to build a system of school age childcare that is free to those on the lowest incomes and consider how we can most effectively invest in early years support for the families who need it most. This will be supported by a strategic childcare plan, to be published later this summer.
- Implementation of measures to reduce the cost of the school day, including expanding free school meal provision, continuing to provide funding for school clothing grant, roll-out of digital devices and connectivity to Scotland's school pupils, a curriculum free of core charges and free music tuition.

Spending Plans

Table 5: Education and Skills Portfolio Spending Plans

Level 2*	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m
Learning	532	548	548	568	813
Children and Families	194	195	195	195	195
Early learning and childcare	57	57	57	57	307
Higher education and student support	349	349	349	349	349
Scottish Funding Council	1,502	1,501	1,501	1,501	1,501
Advanced Learning and Science	23	23	23	23	37
Skills and Training	271	270	270	270	270
Total	2,927	2,943	2,943	2,963	3,472

* Figures include rounding adjustments and projected internal running costs which are subject to change as programming is finalised.

Justice and Veterans

Portfolio Responsibilities

The Justice & Veterans portfolio has responsibility for the civil, criminal and administrative justice systems, which include Scotland's prisons, courts, tribunals, the legal aid system, and criminal justice social work services. It supports the police and fire and rescue services and community safety work thus supporting safe, secure, and more resilient communities. The Veterans part of the portfolio coordinates support for the Armed Forces community, ensuring no disadvantage in accessing public services and support, so promoting Scotland as a destination of choice for Service leavers.

The Resource Spending Review will support:

- Over £50 million in annual funding for both recovery and reform, to support justice partners to address the unavoidable backlog of cases built up during the pandemic, and to deliver system wide transformations, including shifting the balance between custody and community-based interventions.
- Front-line victim support services with an investment of £48 million over 3 years through the newly created Victim Centred Approach Fund which also supports the overall vision for Justice - to embed person centred, trauma informed practices throughout our services.
- Continued investment in the modernisation and efficiency of the justice system, including the new Digital Evidence Sharing Capability (DESC) which will allow users such as police officers, prosecutors, court staff and defence agents to digitally access evidence in a more efficient and user-friendly way.

Spending Plans

Table 6: Justice and Veterans Portfolio Spending Plans

Level 2*	2022-23 £m	2023-24 £m	2024-25 £m	2025-26** £m	2026-27 £m
Community Justice	47	47	47	47	47
Judiciary	39	39	39	39	39
Criminal Injuries Compensation	16	16	16	16	16
Legal Aid	151	151	151	151	151
Safer and Stronger Communities	14	14	14	14	14
Police Central Government	95	95	95	95	95
Police and Fire Pensions**	351	351	351	466	481
Scottish Prison Service	370	370	370	370	370
Miscellaneous	117	117	117	117	117
Scottish Police Authority	1,246	1,246	1,246	1,246	1,246
Scottish Fire and Rescue Service	294	294	294	294	294
Scottish Courts and Tribunals	100	100	100	100	100
Total	2,839	2,839	2,839	2,954	2,969

* Figures include rounding adjustments and projected internal running costs which are subject to change as programming is finalised.

** Figures in 2025-26 and 2026-27 reflect changes in the budgeting approach to police and fire pensions.

Net Zero, Energy and Transport

Portfolio Responsibilities

The Net Zero, Energy and Transport (NZET) portfolio is responsible for achieving a net zero carbon emission Scottish economy in line with the Scottish Government Climate Change Plan which requires all portfolios to respond to the global climate emergency. The portfolio is also charged with protecting and enhancing our natural environment and providing an effective and accessible transport network across Scotland. While there are significant challenges in this space, there are also significant opportunities to diversify our economy, create good, green jobs, and to lead the world in a just transition to net zero.

The portfolio is responsible for climate change policy; heat and energy; transport; environment, forestry and land reform policy, strategy and delivery. The portfolio also leads on strategic infrastructure planning and regular reporting on major projects and programmes.

The portfolio's spending plans include significant investment in action to tackle the twin challenges of climate change and biodiversity loss, supported by £660 million in income from the recent ScotWind Off-Shore Leasing Round, which is itself a major milestone in our journey to Net Zero. This investment includes £210 million of ScotWind legacy investment in 2026-27 to secure lasting benefit for communities from this revenue in the context of Scotland's climate change ambitions, our commitment to tackle the biodiversity crisis and Scotland's green recovery from the COVID-19 pandemic. We will work with COSLA and local authorities to deliver this legacy investment from ScotWind in a way that directly benefits communities.

The investment required to address the climate crisis is weighted towards capital funding (including financial transactions). The targeted review of capital spending carried out alongside this Resource Spending Review supports critical low carbon capital spending, with an increase of over half a billion pounds directed towards net zero programmes to address the climate crisis over the next three years.

The Resource Spending Review will support:

- Action to address climate change. We will increase resource spend to deliver our Heat in Buildings strategy up to £75 million per year, directly supporting £1.8 billion of overall public investment (including capital and financial transactions) across this parliament to decarbonise over a million homes and 50,000 non-domestic buildings by 2030. Over the spending review period, we will also commit £4 million resource spend, alongside at least £150 million of capital and financial transaction investment, for the 10-year North East and Moray Just Transition Fund to help accelerate the transition to a fairer, greener economy, creating jobs in low carbon industries and contribute to the region's future prosperity.
- Action to tackle the twin challenges of biodiversity loss and climate change, providing £95 million of further investment across the spending review period to support the scaling-up of activity to meet our annual target of 18,000 hectares of woodland creation target by 2024-25, supporting actions to drive Scotland's circular

economy, and delivery of our ambitious programmes of nature based solutions such as peatland restoration, and action to address biodiversity loss, for example, through the commitment of £65 million over the lifetime of the parliament for the Nature Restoration Fund, part of our wider £500 million investment in Scotland's natural environment.

- Scotland's transport network, including over £4.2 billion across the spending review period on our bus, rail and ferry services as well as investing up to £150 million in resource to support capital expenditure across the spending review period in active travel, as part of a shift of transport funding to walking, wheeling and cycling – supporting our commitment to cut car kilometres by 20 per cent by 2030, and enabling Active Travel funding to reach a combined annual budget of £320 million by 2024-25 in line with the Bute House Agreement.

Spending Plans

Table 7: Net Zero, Energy and Transport Portfolio Spending Plans

Level 2*	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m
Active Travel, Low Carbon and Other Transport	69	80	97	102	110
Air Services	59	55	53	51	54
Climate Change & Land Managers Renewables Fund **	27	29	28	30	239
Concessionary Fares and Bus Services	373	382	404	462	500
Energy	65	78	80	85	94
Environmental Services	144	147	141	146	147
Environmental Standards Scotland	2	3	3	3	3
Ferry Services	207	209	217	223	231
Forestry and Land Scotland	17	17	17	16	16
Land Reform	6	8	9	11	11
Motorway & Trunk Roads	277	271	272	277	285
Rail Services	409	407	401	407	418
Research, Analysis & Other Services	37	35	34	33	34
Scottish Forestry	39	46	47	45	45
Scottish Water	(97)	(98)	(98)	(98)	(98)
Total	1,633	1,669	1,704	1,793	2,088

* Figures include rounding adjustments and projected internal running costs which are subject to change as programming is finalised. Negative numbers are shown in brackets.

** Funding increase in 2026-27 will support delivery of future climate change policies to meet statutory climate change targets and commitments.

Rural Affairs and Islands

Portfolio Responsibilities

Rural Affairs and Islands (RA&I) is a diverse portfolio which includes farming and food production, animal health and welfare, rural and island communities, food and drink, crofting, fisheries and aquaculture. The reach of the portfolio is broad and vital, supporting the Scottish Government's overarching ambition to tackle climate change and biodiversity loss. Our priorities in this parliament are to reform and transform key areas to help make Scotland greener and fairer. We will create a more prosperous country by safeguarding the natural environment and harnessing the power of all of our people and our natural assets. Sustainability is at the heart of all that we do.

The Resource Spending Review will support:

- Investment in the transformation of agriculture and farming, to ensure we support and prepare a thriving sector that will fully contribute to our net zero and environmental ambitions.
- Our determination to deliver economic recovery and resilience in our rural, coastal and island communities, including rural businesses, the third sector, food and drink industries, alongside fisheries, farming and crofting.
- Delivery of a strategic approach to the management of our marine resource which supports ecosystem health, improved livelihoods, economic prosperity, social inclusion and wellbeing.

Spending Plans

Table 8: Rural Affairs & Islands Portfolio Spending Plans

Level 2*	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m
Agricultural Support and Related Services	738	733	734	732	736
Rural Services	43	44	45	47	47
Fisheries	16	6	5	5	5
Marine	82	94	93	98	96
Islands	3	3	2	3	3
Total	881	879	879	884	885

* Figures include rounding adjustments and projected internal running costs which are subject to change as programming is finalised.

Constitution, External Affairs & Culture

Portfolio Responsibilities

The Constitution, External Affairs & Culture (CEAC) portfolio engages at home and internationally to enhance Scotland's reputation, increase economic success, prosperity and wellbeing, support Scotland's diverse and evolving culture and major events sectors, promote access to our historic environment, and promote Scotland as a great place to live, visit, work, study and do business. It is also responsible for co-ordinating constitutional policy.

Our vision is for Scotland to be a thriving, inclusive and entrepreneurial country, delivering a just transition to a net zero, nature-positive, wellbeing economy promoting health and wellbeing through access to culture, ensuring this is enjoyed by new and diverse audiences and future generations right across Scotland. We are also determined that Scotland should be a good global citizen, making a constructive contribution to addressing global challenges. The Global Affairs Framework has a consistent focus on good global citizenship; maintaining the closest possible relationship with the European Union; gender equality; climate crisis and climate justice; respect for human rights and the rule of law; the role of our international networks; and Scotland's culture.

The Resource Spending Review will support:

- Scotland's culture and historic environment with investment of £925 million over the spending review, to ensure our diverse and world-class cultural scene and rich heritage continue to thrive.
- Our International Development Fund, with an increase in funding to £15 million per year by the end of this spending review period to make a real difference to some of the world's poorest people.
- The expansion of our network of international offices by opening a new Scottish Government Office in Warsaw, increasing opportunities for policy exchange and Scotland's economic and cultural visibility.
- Investment in Major Events recognising the economic and broader policy benefits they can bring. This includes £14 million for the Cycling World Championships in 2023-24 financial year, bringing the total spend for these Championships to £30 million.
- Creative Scotland and our world class museums, collections and National Performing Companies.
- Delivery of a referendum on independence.

Spending Plans

Table 9: Constitution, External Affairs and Culture Portfolio Spending Plans

Level 2*	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m
External Affairs	33	35	38	39	40
Referendum	-	20	-	-	-
National Records of Scotland	22	23	25	23	23
Historic Environment Scotland	61	63	58	55	48
Culture and Major Events	177	173	173	177	183
Total	294	314	294	294	294

* Figures include rounding adjustments and projected internal running costs which are subject to change as programming is finalised.

Deputy First Minister and Covid Recovery

Portfolio Responsibilities

The Deputy First Minister and Covid Recovery portfolio supports the delivery of the Covid Recovery Strategy and contributes to strategic oversight for the delivery of key government priorities. The portfolio also co-ordinates the development and implementation of the Scottish Government's policies on Scottish Parliament and local government elections and supports efforts to improve Scotland's preparedness against a range of hazards and threats, including work on winter preparedness. The portfolio promotes public sector reform and leadership development, with particular emphasis on the participation of people in all aspects of Scottish life.

The Resource Spending Review will support:

- Transformation of public services including those delivered by Scottish Government through the Christie Principles.
- Move to further transparency through the Open Government Action Plan.
- Support for public service leaders to drive innovation and a focus on outcomes.
- The continued co-ordination of key aspects of Government business over the spending review period.
- Delivery of Scottish Parliament and local government elections, ensuring that elections in Scotland are held safely and securely with a high level of public confidence in the process and outcome.
- More resilient communities and work to build Scotland's resilience by improving Scotland's understanding and preparedness against a range of hazards and threats, through multi-agency planning, strengthening national work on risk and prevention and working with partners to build and deliver capacity.
- The establishment and operation of, and preparation for, public inquiries into the handling of the COVID-19 pandemic.

Spending Plans

Table 10: Deputy First Minister and Covid Recovery Portfolio Spending Plans

Level 2*	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m
Public Service Reform	3	3	3	3	3
Government Business and Elections	14	15	14	15	44
Organisational Readiness	26	25	26	26	26
Total	43	43	43	43	73

* Figures include rounding adjustments and projected internal running costs which are subject to change as programming is finalised.

Crown Office and Procurator Fiscal Service

Portfolio Responsibilities

The Crown Office and Procurator Fiscal Service (COPFS) is the sole public prosecution authority in Scotland, prosecuting cases independently, fairly and effectively in the public interest. It is also responsible for investigating sudden, unexplained and suspicious deaths and allegations of criminal conduct by police officers.

The Lord Advocate has Ministerial responsibility for the work of the Service. Her position as head of the systems of criminal prosecution and investigation of deaths is enshrined in the Scotland Act 1998 and she exercises that responsibility independently of any other person.

The Resource Spending Review will support:

- COPFS' role in delivering the Scottish Government's Strategy for Justice in Scotland, in particular, its priorities of reducing crime, particularly violent and serious organised crime, tackling hate crime and sectarianism, supporting victims and witnesses, and increasing public confidence and reducing fear of crime.

Spending Plans

Table 11: Crown Office and Procurator Fiscal Service Portfolio Spending Plans

Level 2*	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m
COPFS	170	170	170	170	170

* Figures include rounding adjustments.

5. Next Steps

We are publishing this Resource Spending Review in highly uncertain times, with high inflation, the situation in Ukraine, and the recovery from COVID-19 and ongoing impacts of EU Exit making the fiscal and economic outlook extremely volatile. We can only respond to this within our limited powers and resources. This will have an impact on the choices that need to be made in future Budgets over the remainder of the parliament.

Increasing demand on public services in the wake of the COVID-19 pandemic and demographic pressures mean that wider reform that improves service delivery and outcomes now and plans for the future will be necessary. Successful delivery of what Scotland needs will also rest on the public sector coming together to drive efficiencies across all parts of how we work, supported by strong leadership from Scottish Government.

Within that context, this Resource Spending Review, alongside the refreshed capital spending plans, provides more clarity for public bodies, other delivery partners, businesses, communities and households about the Government's forward spending plans. It sets out how we will seek to prioritise our spending to give capacity for the Scottish Government and our partners to deliver the ambitious programme for Scotland set out in last year's Programme for Government and the Bute House Agreement.

It offers a framework for working in partnership across the public sector and with others delivering public services to scope out reform of the public sector landscape. This will include considering the options for achieving more efficient delivery of services and how we can best face, in consultation with trade union partners, the shared challenge of reflecting cost of living challenges in public sector pay while operating within current fiscal constraints. As we take this more detailed work forward, we will undertake equality and other relevant impact assessments to inform the options considered and decisions reached.

The Scottish Government is already acting during 2022-23 to respond to the acute and very immediate challenges for households and businesses. The spending review sets out how we will build on that action, to address poverty and lead the transition to a flourishing low carbon economy.

In this challenging context, anchoring our spending decisions more routinely in the medium term will be critical to ensuring we improve the sustainability of our public finances. We will look to work with our stakeholders and delivery partners to identify ways to develop this over this parliament and as we approach each Scottish Budget.

The spending review commits the Scottish Government and public sector bodies to a range of approaches to the management of the public sector pay bill and workforce, reform and efficiency, innovation and collaboration, and structural changes. Through this comprehensive approach, which will span all government portfolios, the Scottish Government's ambition is to lead lasting change that will deliver better outcomes and ensure the sustainability of Scotland's public finances.

This programme will be undertaken over the remainder of the parliament, with initial outcomes to be reported in the 2023-24 Scottish Budget, underpinned by delivery plans to be produced by individual public bodies.

Annexes

Annex A - Fiscal Tables

This annex provides summaries of the spending envelopes agreed as part of the 2022 Resource Spending Review and Capital Spending Review refresh.

Table 12: Resource Funding envelope, £ million (current prices)

	2022-23	2023-24	2024-25	2025-26	2026-27
UK Government - SR21 settlement	34,322	34,943	35,577		
Anticipated Barnett Settlement				36,959	38,333
Anticipated Barnett Consequentials		250	400		
Ring-fenced Funding	704	715	715	715	715
Total Budget Limit from HM Treasury (A)	35,026	35,908	36,691	37,674	39,048
Block Grant Adjustment for Social Security (B)	3,587	4,082	4,574	4,825	5,103
Block Grant Adjustment for Taxes and Non-Tax Income	(14,639)	(16,357)	(16,763)	(17,645)	(18,497)
Scottish revenues:					
Scottish Income Tax	13,671	15,143	15,954	16,754	17,484
Land and Buildings Transaction Tax	749	821	849	886	932
Scottish Landfill Tax	101	95	94	75	16
Non-Tax Income	25	25	25	25	25
Net Resource Budget Adjustment for Taxes and Non-Tax Income (C)	(93)	(274)	159	96	(39)
Other Funding (D)	549	416	(119)	(317)	(265)
Total Scottish Government Fiscal Resource (A+B+C+D)	39,069	40,131	41,305	42,277	43,848
Non-Domestic Rates Distributable Amount	2,766	3,190	3,134	3,323	3,651
Total Scottish Government and Local Government Resource	41,836	43,321	44,439	45,600	47,498

*Figures include rounding adjustments

Table 13: Resource Funding envelope, £ million (real terms)

	2022-23	2023-24	2024-25	2025-26	2026-27

UK Government - SR21 settlement	34,322	34,121	34,109		
Anticipated Barnett Settlement				34,756	35,342
Anticipated Barnett Consequentials		244	383		
Ring-fenced Funding	704	698	685	672	659
Total Budget Limit from HM Treasury (A)	35,026	35,063	35,178	35,428	36,001
Block Grant Adjustment for Social Security (B)	3,587	3,986	4,385	4,537	4,705
Block Grant Adjustment for Taxes and Non-Tax Income	(14,639)	(15,972)	(16,071)	(16,593)	(17,053)
Scottish revenues:					
Scottish Income Tax	13,671	14,786	15,296	15,756	16,120
Land and Buildings Transaction Tax	749	802	814	833	860
Scottish Landfill Tax	101	92	91	71	15
Non-Tax Income	25	24	24	24	23
Net Resource Budget Adjustment for Taxes and Non-Tax Income (C)	(93)	(267)	153	90	(36)
Other Funding (D)	549	406	(114)	(298)	(244)
Total Scottish Government Fiscal Resource (A+B+C+D)	39,069	39,188	39,602	39,757	40,426
Non-Domestic Rates Distributable Amount	2,766	3,115	3,004	3,124	3,366
Total Scottish Government and Local Government Resource	41,835	42,303	42,606	42,882	43,792

*Figures include rounding adjustments

**GDP deflators at market prices, March 2022 (Spring Statement)

Table 14: Spending Envelopes, £ million (current prices)

		2022-23	2023-24	2024-25	2025-26	2026-27
Constitution, External Affairs and Culture	Resource	294	314	294	294	294
	Capital	31	29	21	23	N/A
	FTs	-	-	-	-	N/A
	Resource	170	170	170	170	170
	Capital	5	11	9	6	N/A

Crown Office and Procurator Fiscal Service	FTs	-	-	-	-	N/A
Deputy First Minister and Covid Recovery	Resource	43	43	43	43	73
	Capital	-	-	-	-	N/A
	FTs	-	-	-	-	N/A
Education and Skills	Resource	2,927	2,943	2,943	2,963	3,472
	Capital	484	523	462	509	N/A
	FTs	22	15	10	-	N/A
Finance and Economy	Resource	553	556	561	566	629
	Capital	681	619	579	611	N/A
	FTs	285	258	254	-	0
Health and Social Care	Resource	17,106	17,550	17,995	18,536	19,029
	Capital	554	443	428	443	N/A
	FTs	10	5	5	-	N/A
Justice and Veterans	Resource	2,839	2,839	2,839	2,954	2,969
	Capital	166	226	283	171	N/A
	FTs	-	-	-	-	N/A
Net Zero, Energy and Transport	Resource	1,633	1,669	1,704	1,793	2,088
	Capital	2,485	2,735	2,767	2,940	N/A
	FTs	60	41	61	-	N/A
Rural Affairs and Islands	Resource	881	879	879	884	885
	Capital	76	73	64	83	N/A
	FTs	-	-	-	-	N/A
Social Justice, Housing and Local Government	Resource	15,235	16,237	16,890	17,274	17,769
	Capital	1,341	1,279	1,257	1,331	N/A
	FTs	150	67	46	-	N/A
Scottish Parliament and Audit Scotland	Resource	122	122	122	122	122
	Capital	1	1	1	1	N/A
	FTs	-	-	-	-	N/A
Total	Resource	41,802	43,322	44,440	45,599	47,500
	Capital	5,824	5,939	5,872	6,119	N/A
	FTs	527	386	376	-	N/A

*Figures include rounding adjustments. FTs refer to net Financial Transactions.

**Non-recurring costs have been removed from 2022-23 comparatives.

Annex B – Capital Spending Review Update Summary

Accompanying the Resource Spending Review and the Medium-Term Financial Strategy, the Scottish Government has published the outcome of the targeted review of its 2021-22 to 2025-26 Capital Spending Plans. This now supersedes the Capital Spending Review published in February 2021.

Since then, there have been changes in three key factors which have a bearing on the Scottish Government's infrastructure investment pipeline of projects and programmes.

- Scotland received a lower-than-expected capital settlement from the UK Government's Autumn 2021 spending review– reducing the expected funding envelope by over £750 million.
- The establishment of the new Scottish Government in 2021 redoubled Scotland's commitment to tackling the twin global crises of climate change and biodiversity loss, underpinned by specific commitments and targets set out in the landmark Bute House Agreement.
- The combination of supply chain pressures and business disruption due to the impact of the UK's exit from the European Union, the COVID-19 pandemic and the Russian invasion of Ukraine risk impacting on time and costs of projects.

Given the significant changes described above, a targeted review of the Capital Spending Review was undertaken to ensure that the Scottish Government's key priorities are still being achieved within the reduced available capital allocations and in light of new commitments and market conditions.

Despite the challenging fiscal position, by considering all the options available, this targeted review will add to, rather than diminish, the positive commitments published in the 2021 Capital Spending Review and Infrastructure Investment Plan. These capital commitments also support the priorities set out in the Resource Spending Review.

For example, over the five years covered by the Capital Spending Review we will:

- **Reduce child poverty** through making available more than £3.6 billion for the affordable housing programme, and £220 million of new investment in priorities to support children and families through the roll out of digital devices and school infrastructure, play parks and a system of school age childcare.
- **Address the climate crisis** through over £5 billion investment in rail infrastructure, £1.8 billion to deliver the Heat in Buildings strategy, and expansion of the Just Transition fund to over £150 million by 2025-26.
- **Build a strong and resilient economy** by investing over £525 million to deliver on five years funding of the £5 billion City Region and Regional Growth Deals

programme and supporting Local Government capital investment with £1.9 billion of funding.

Annex C - List of Figures, Tables, and Boxes

- Figure 1: Change (%) in real household disposable income per person
- Figure 2: Trends in Scottish Government expenditure, 2016/17 - 2026/27
- Figure 3: Number of total devolved public sector FTE since 2016-17
- Table 1: Resource Spending Envelopes, £ million (current prices)
- Table 2: Health and Social Care spending plans
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- Table 10: Deputy First Minister and Covid Recovery spending plans
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- Table 12: Resource Funding envelope, £ million (current prices)
- Table 13: Resource Funding envelope, £ million (real terms)
- Table 14: Spending Envelopes, £ million (current prices).

Annex D - List of Acronyms

BGA	Block Grant Adjustment
COVID-19	Coronavirus Disease 2019
GDP	Gross Domestic Product
MAT	Medication Assisted Treatment
MSP	Member of the Scottish Parliament
MTFS	Medium-Term Financial Strategy
NDR	Non-Domestic Rates
NPD	Non-Profit Distributing
NHS	National Health Service
NPF	National Performance Framework
NSET	[10-Year] National Strategy for Economic Transformation
OBR	Office for Budget Responsibility
ONS	Office for National Statistics
PfG	Programme for Government
PFI	Private Finance Initiative
RSR	Resource Spending Review
SFC	Scottish Fiscal Commission
UK	United Kingdom

Annex E - Glossary

Barnett Formula	a formula used by HM Treasury to calculate consequentialials which form the Block Grant to devolved governments in Scotland, Wales and Northern Ireland. The Barnett formula seeks to give these governments a proportion (or consequential) of UK expenditure incurred in policy areas which are devolved.
Budget	a document prepared by the government to present its anticipated tax revenues and proposed spending/expenditure for a financial year.
Block Grant	the grant received by the Scottish Government made up consequentialials of UK expenditure, calculated by the Barnett Formula.
Block Grant Adjustment (BGA)	deductions from the Scottish Government's total Block Grant to reflect devolved tax receipts or social security expenditure.
Capital Borrowing	money borrowed specifically for the purpose of Capital Expenditure.
Capital Expenditure	money spent on providing or improving non-current assets, which include land, buildings and equipment, which will be of use or benefit in providing services for more than one financial year.
Consequentialials or Barnett Consequentialials:	a Barnett Consequentialial is the change to a devolved administration's assigned budget because of changes in comparable spending by the UK Government.
Deficit	occurs when a government spends more money than it takes in.
Demand-led	refers to expenditure which can be predicted at the beginning of the year e.g. the payment of benefits which will depend on the number of eligible claimants. Usually managed through Annually Managed Expenditure (AME).
Fair Work	work that supports job security, fair reward, and opportunities for personal and workplace development.
Fiscal Framework	the Fiscal Framework agreement was published alongside the Scotland Act 2016 setting out the new funding arrangements, fiscal rules, borrowing powers and limits for the Scottish Government.
Fiscal Framework Review	the Fiscal Framework is due to be reviewed in 2022. The review will be preceded by an independent report, on the Block Grant Adjustment arrangements.

Funding Outlook	projection of future funding built up by forecasting separate elements of funding and then aggregating these to produce a path for the total level of potential funding.
Gross Domestic Product	a measure of the size and health of a country's economy over a period of time (usually one quarter or one year).
Income Distribution	covers how a country's total GDP is distributed amongst its population.
Inflation	the increase in prices over time. How quickly those prices go up is the rate of inflation.
Just Transition	the approach to addressing climate change and creating a more cohesive and resilient economy that improves the opportunities, life chances, and wellbeing of every citizen in our country.
National Outcome	NPF outcomes for Scotland determined by Scottish Ministers in consultation with the communities in Scotland and the Scottish Parliament, which are reviewed at least every 5 years.
Net Zero	achieving an overall balance between emissions produced and emissions taken out of the atmosphere.
Omicron	variant of the COVID-19 virus which became dominant in the UK in December 2021.
Reconciliations	adjustments to address historical budgets' forecast errors.
Resource Borrowing	money borrowed specifically for the purpose of Resource Expenditure.
Resource Expenditure	money that is spent on day-to-day resources and administration costs.
Resource Spending Review	a review to balance the spending ambitions of the new Scottish Government within its fiscal constraints.
Scotland Reserve	enables the Scottish Government to manage volatility associated with the fiscal powers.
Social Security	monetary assistance from the state for people with an inadequate or no income.
UK Spending Review	allocation of funding to government departments.
Volatility	the tendency to change rapidly and unpredictably.
Wellbeing economy	an economy that is inclusive and that promotes sustainability, prosperity and resilience, where businesses can thrive and innovate, and that supports all communities across Scotland to access opportunities that deliver local growth and wellbeing.

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