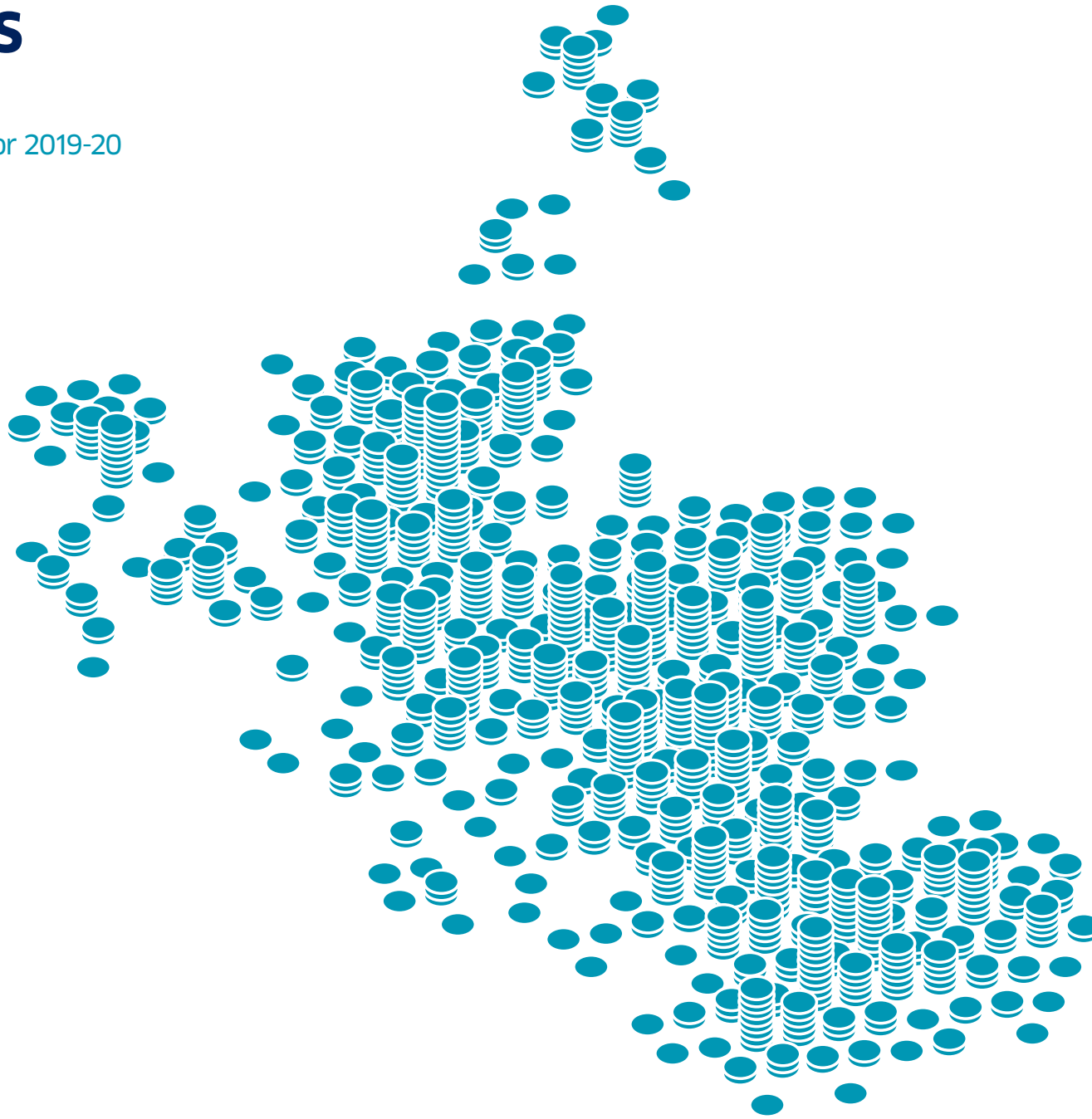


Scotland's Finances

Key facts and figures for 2019-20



Competent, financially prudent Scottish Government

THIS PART OF THE GUIDE SETS OUT KEY INFORMATION ABOUT HOW THE SYSTEM STANDS IN 2019-20. THE NEXT PART SETS OUT HOW IT IS CHANGING.

DEVOLVED FINANCES

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

BARNETT FORMULA



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

MONEY IN

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



THE SCOTTISH CONSOLIDATED FUND



MONEY OUT


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

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



Our financial system in 2019-20

SCOTTISH BUDGET IN 2019-20 IS £42.6 BILLION



- The Scottish Government's latest published accounts are for 2017-18 and they were given a clean bill of health by Audit Scotland. This was the 13th consecutive year they received an unqualified opinion. The 2018-19 accounts will be published in September 2019.
- For financial year 2017-18 the Scottish Government, its Executive Agencies and the Crown Office and Procurator Fiscal Service made 98.2% of all payments within 10 days.
- For all taxes set, raised or assigned in Scotland, the block grant is reduced.

TAXES SET IN SCOTLAND IN 2019-20:

SCOTTISH INCOME TAX



NON-DOMESTIC RATES



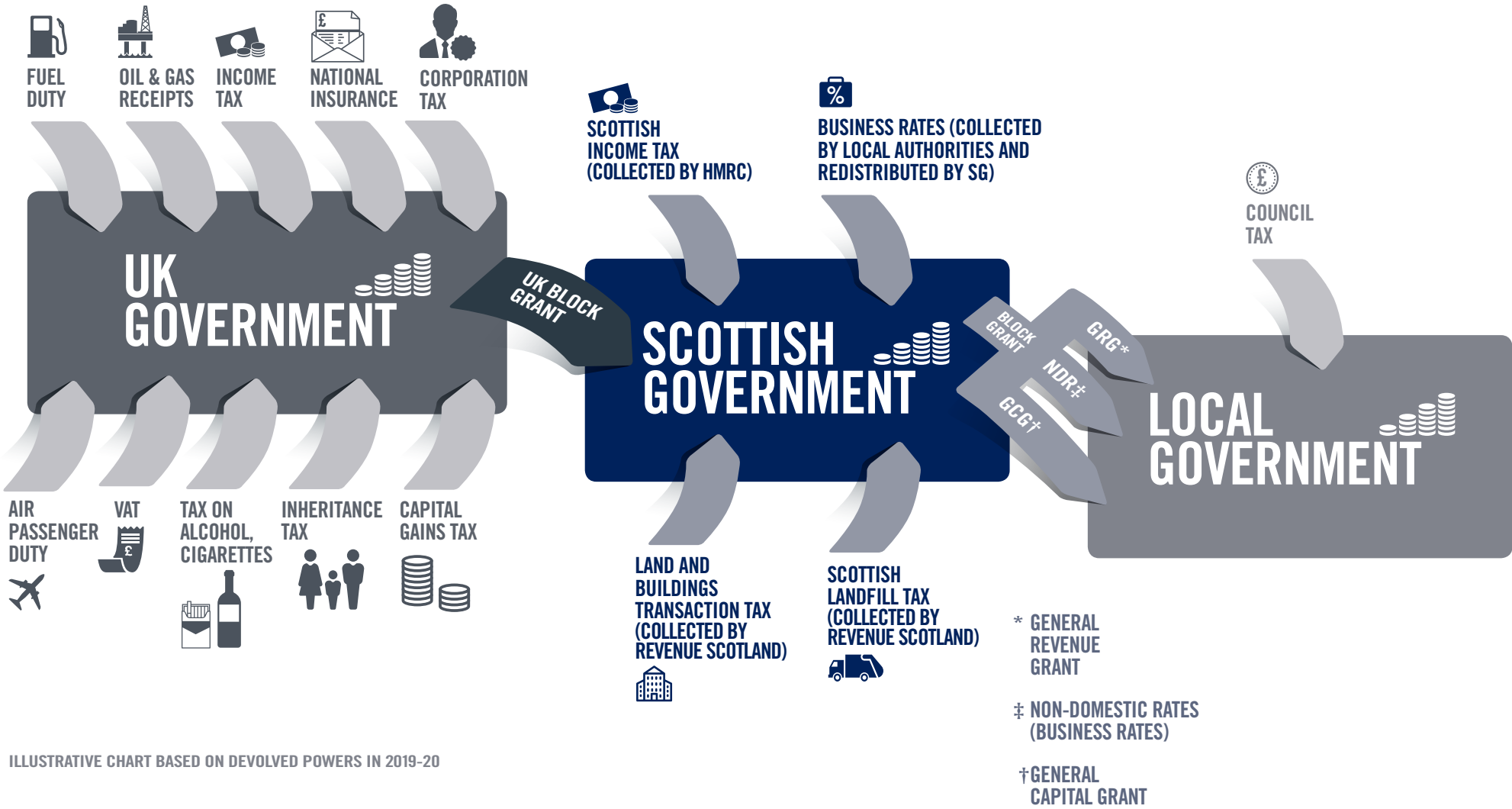
LAND AND BUILDINGS TRANSACTION TAX



SCOTTISH LANDFILL TAX



The Scottish tax landscape 2019-20



ILLUSTRATIVE CHART BASED ON DEVOLVED POWERS IN 2019-20

What is planned to be spent in 2019-20

PORTFOLIO BUDGETS 2019-20 (SOME PERCENTAGES ARE ROUNDED)



FINANCE, ECONOMY AND FAIR WORK
£5.3bn 12.5%



JUSTICE
£2.7bn 6.4%



COMMUNITIES AND LOCAL GOVERNMENT
£12bn 28.0%



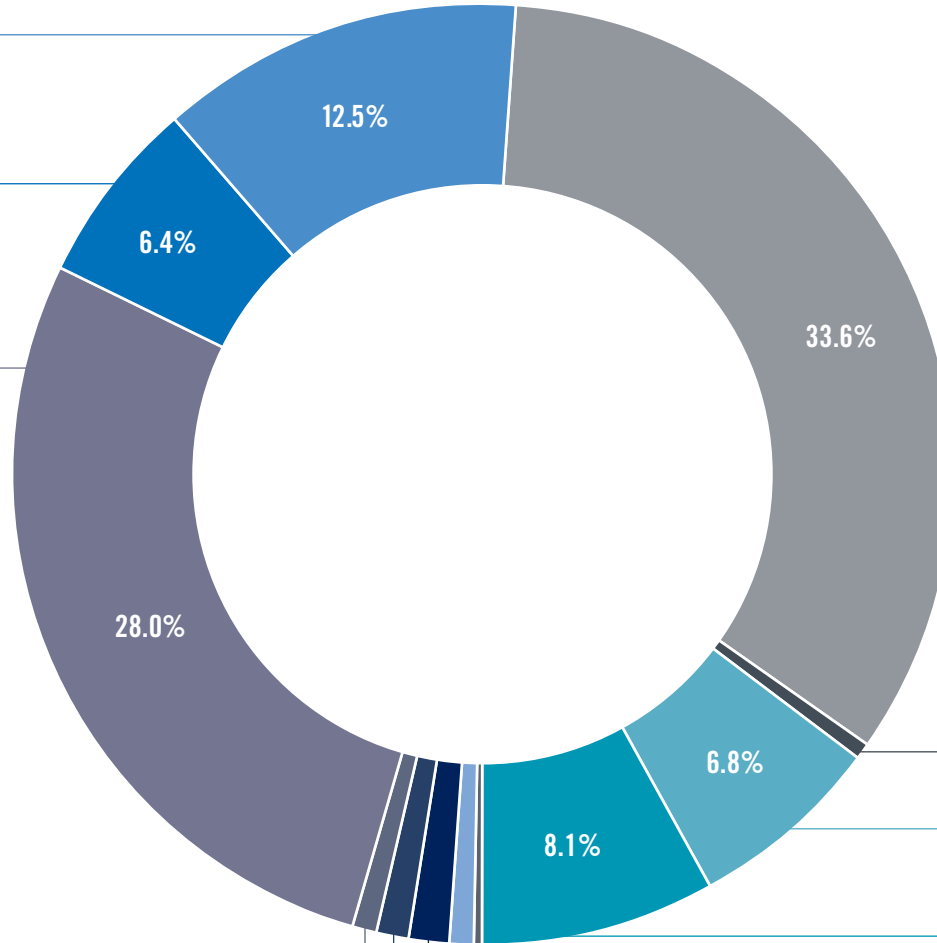
CULTURE, TOURISM AND EXTERNAL AFFAIRS
£331m 0.8%



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



SOCIAL SECURITY AND OLDER PEOPLE
£585m 1.4%



HEALTH AND SPORT
£14.3bn 33.6%



SCOTTISH PARLIAMENT AND AUDIT SCOTLAND
£111m 0.3%



TRANSPORT, INFRASTRUCTURE AND CONNECTIVITY
£2.9bn 6.8%



EDUCATION AND SKILLS
£3.4bn 8.1%



CROWN OFFICE AND PROCURATOR FISCAL SERVICE
£121m 0.3%



GOVERNMENT BUSINESS AND CONSTITUTIONAL RELATIONS
£12m 0.03%



RURAL ECONOMY
£351m 0.8%






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

TOTAL PORTFOLIO EXPENDITURE 2019-20

£42.6bn

The Fiscal Framework - from 1999 to Today

TIMELINE OF CHANGE

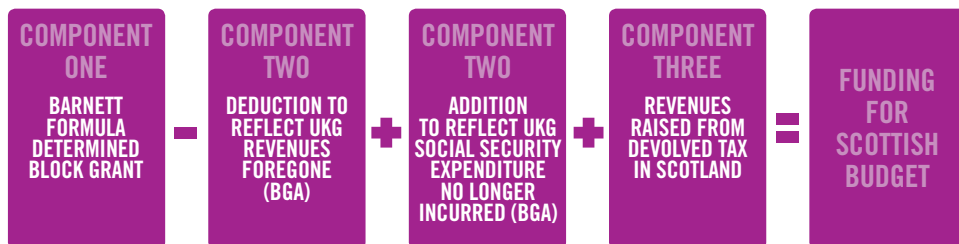
1999	2015	2016	2017	2018	2020 AND BEYOND
 <p>SCOTTISH PARLIAMENT CAN INCREASE OR REDUCE INCOME TAX BY 3P IN THE POUND</p> <p>SCOTTISH PARLIAMENT HAS POWERS OVER NON-DOMESTIC RATES</p>	 <p>SCOTTISH PARLIAMENT CONTROLS FULLY DEVOLVED TAXES, LAND AND BUILDINGS TRANSACTION TAX AND LANDFILL TAX</p>	<p>%</p> <p>SCOTTISH PARLIAMENT GAINS PARTIAL POWERS TO SET THE SCOTTISH RATE OF INCOME TAX AND ALSO GAINS AN INCREASE IN BORROWING POWERS</p>	<p>%</p> <p>SCOTTISH PARLIAMENT GAINS FURTHER POWERS TO SET INCOME TAX RATES AND BANDS</p>	<p>%</p> <p>TWO NEW BANDS ARE ADDED TO THE SCOTTISH INCOME TAX SYSTEM TO IMPROVE FAIRNESS, PROTECT LOWER EARNING TAXPAYERS AND RAISE MORE FUNDING FOR PUBLIC SERVICES</p>	 <p>ASSIGNMENT OF VAT RECEIPTS</p> <p>REPLACEMENT FOR AIR PASSENGER DUTY</p> <p>AGGREGATES LEVY</p>

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



- **The Smith Commission** - on whose conclusions the Fiscal Framework is based - envisaged a fundamental change in how the Scottish Government would be funded. It foresaw a substantial proportion of the Government's Budget coming directly from tax revenues raised in Scotland and greater borrowing powers.
- The main objective of the new **Fiscal Framework** was to change the funding arrangement to support the transfer of tax and social security powers to Scotland while, to a significant extent, retaining the stability of Block Grant funding. It also increased the Scottish Government's borrowing powers.
- The guiding principle of the Framework is '**no detriment**'. This means neither the Scottish nor the UK Government being worse off as result of the powers transferring.

HOW THE SCOTTISH BUDGET IS CALCULATED



- **Component One - Barnett formula determined Block Grant** - Barnett continues to determine the initial size of the Block Grant.
- **Component Two - Adjustment to the Block Grant** - The Block Grant is adjusted to reflect the impact of the transfer of tax and social security powers to the Scottish Budget.
- **Component Three - Devolved Revenues** - These are the revenues now retained from devolved and assigned tax powers which contribute to Scotland's funding.

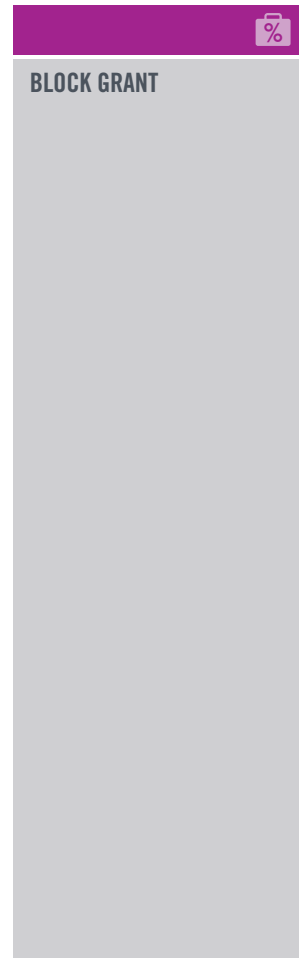
How our funding system is changing

WHERE THE SCOTTISH GOVERNMENT BUDGET COMES FROM

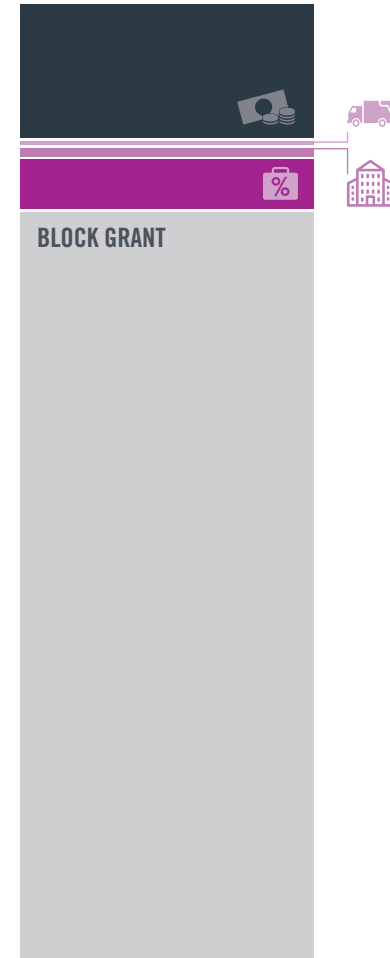
-  AIR PASSENGER DUTY
-  SCOTTISH RATE OF INCOME TAX / INCOME TAX
-  SCOTTISH LANDFILL TAX
-  LAND AND BUILDINGS TRANSACTION TAX
-  NON DOMESTIC RATES
-  VAT
-  BLOCK GRANT

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

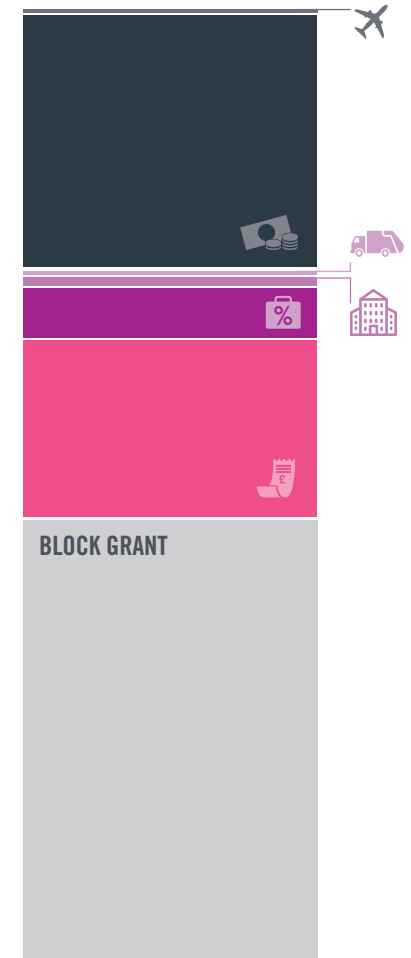
IN ADDITION LOCAL AUTHORITIES SET AND RAISE COUNCIL TAX TO FUND LOCAL SERVICES, BUT THIS IS OUTWITH THE SCOTTISH BUDGET.



SCOTLAND ACT 1998



SCOTLAND ACT 2012



SCOTLAND ACT 2016

ESTIMATES ONCE ALL FISCAL POWERS HAVE BEEN DEVOLVED

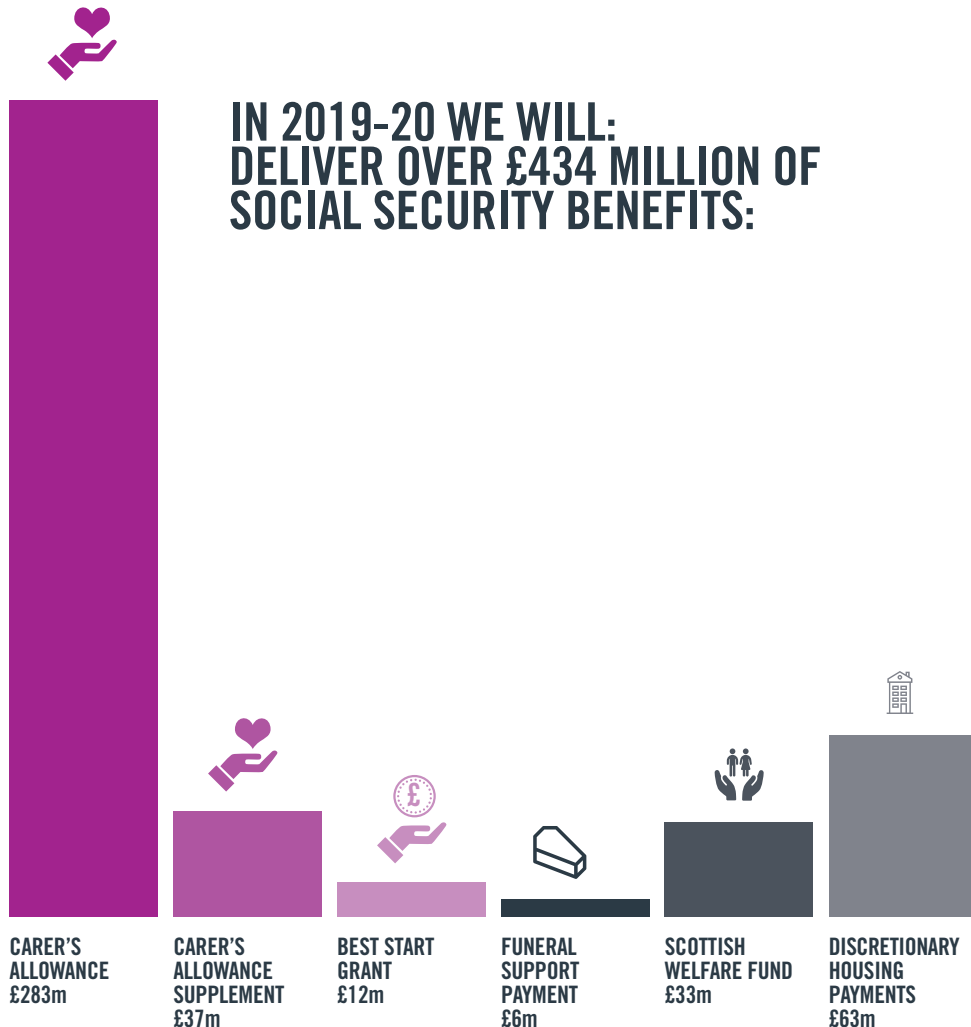
How our Social Security system is changing

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

ONCE POWERS ARE DEVOLVED THE SCOTTISH PARLIAMENT WILL CONTROL 16%* OF SOCIAL SECURITY SPEND IN SCOTLAND.

THE VALUE OF SOCIAL SECURITY BENEFITS TO BE DEVOLVED IS EXPECTED TO BE IN THE REGION OF £3.5 BILLION IN 2020-21.

*PERCENTAGES BASED ON 2017-18 FIGURES (LATEST AVAILABLE AT PUBLICATION)



RESPONSIBILITY FOR ALL DEVOLVED BENEFITS, INCLUDING THEIR FUNDING, WILL SIT WITH THE SCOTTISH GOVERNMENT FROM 1 APRIL 2020. THE TIMETABLE FOR THE DELIVERY OF THE NEXT WAVE OF DEVOLVED BENEFITS IS:



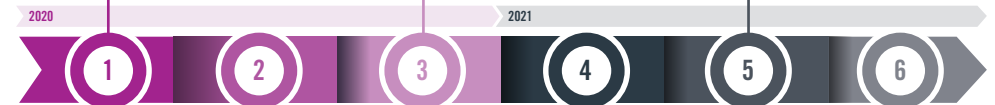
In summer 2020, Social Security Scotland will open to new claims for Disability Assistance for Children and Young People, our replacement for Child Disability Living Allowance



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



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



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



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



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





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