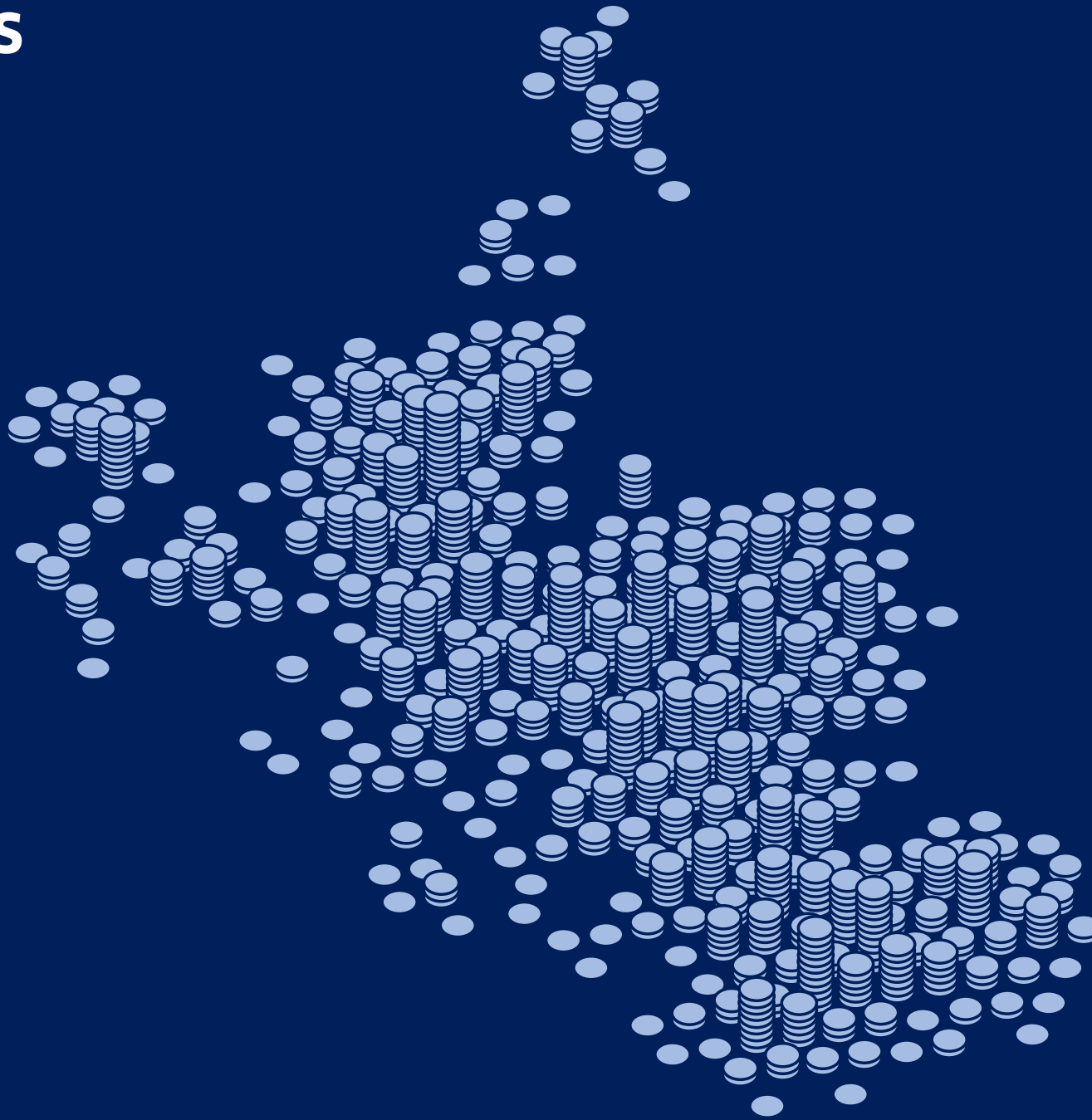


Scotland's Finances

Key facts and figures



Scottish Government
Riaghaltas na h-Alba
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Competent, financially prudent Scottish Government

THIS PART OF THE GUIDE SETS OUT KEY INFORMATION ABOUT HOW THE SYSTEM STANDS IN 2016-17. THE NEXT PART SETS OUT HOW IT WILL CHANGE IN 2017-18 AND BEYOND.

DEVOLVED FINANCES

- The Scottish Government is accountable to the Scottish Parliament and the people of 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 RATE OF INCOME TAX, LAND AND BUILDINGS TRANSACTION TAX, SCOTTISH LANDFILL TAX, NON-DOMESTIC RATES, BORROWING



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 2016-17

SCOTTISH BUDGET IN 2016-17 IS £37 BILLION

- The Scottish Government has to set and deliver a balanced budget each year.
- The Scottish Government accounts for 2015-16 were given a clean bill of health by Audit Scotland. This was the 11th consecutive year they received an unqualified opinion.
- For financial year 2015-16, the Scottish Government, its Executive Agencies and the Crown Office and Procurator Fiscal Service made 98.4% of all payments within 10 days.
- Where taxes are raised in Scotland, the block grant is reduced.

TAXES IN 2016-17 PLANNED TO BE RAISED IN SCOTLAND:

SCOTTISH RATE OF INCOME TAX



NON-DOMESTIC RATES INCOME



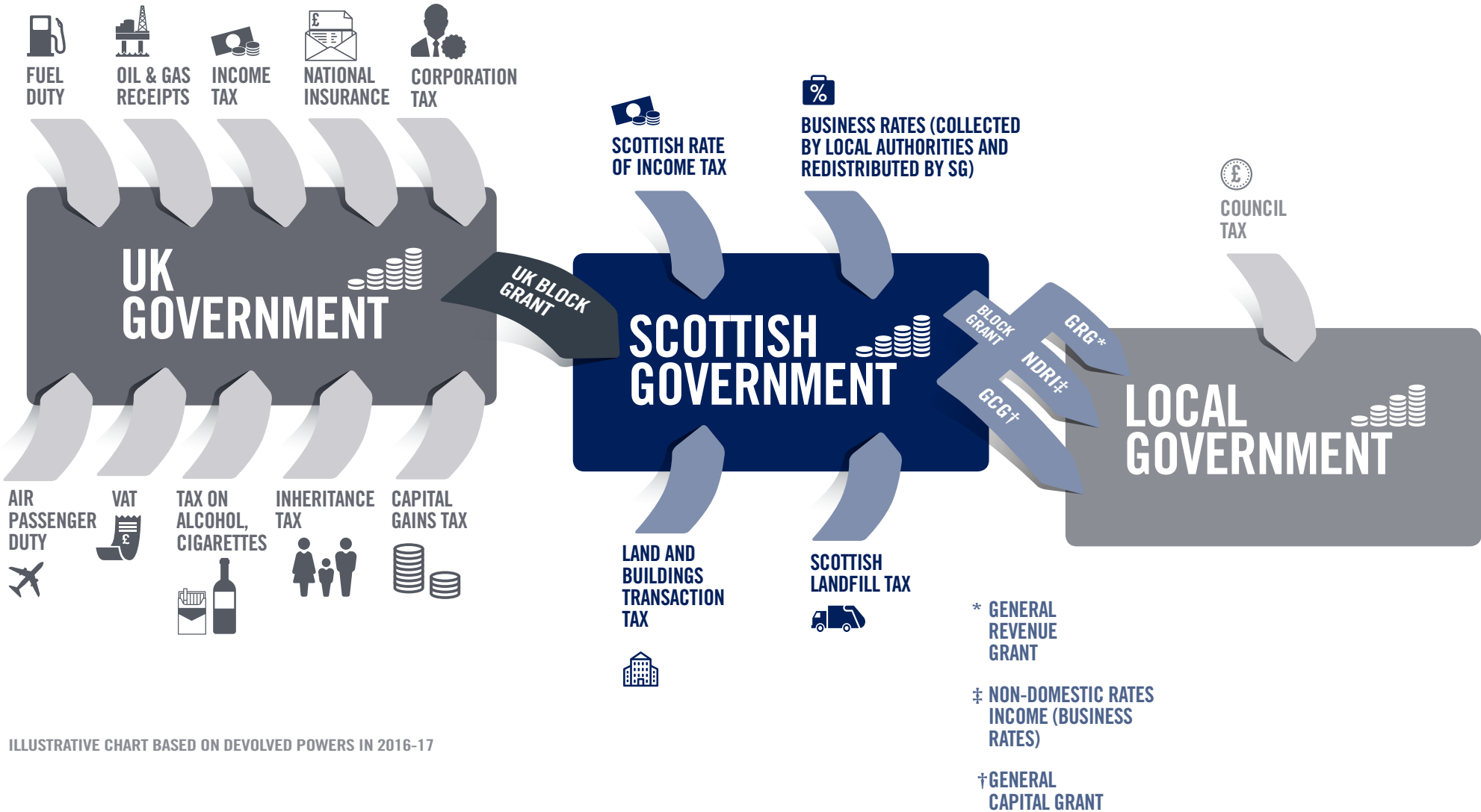
LAND AND BUILDINGS TRANSACTION TAX



SCOTTISH LANDFILL TAX



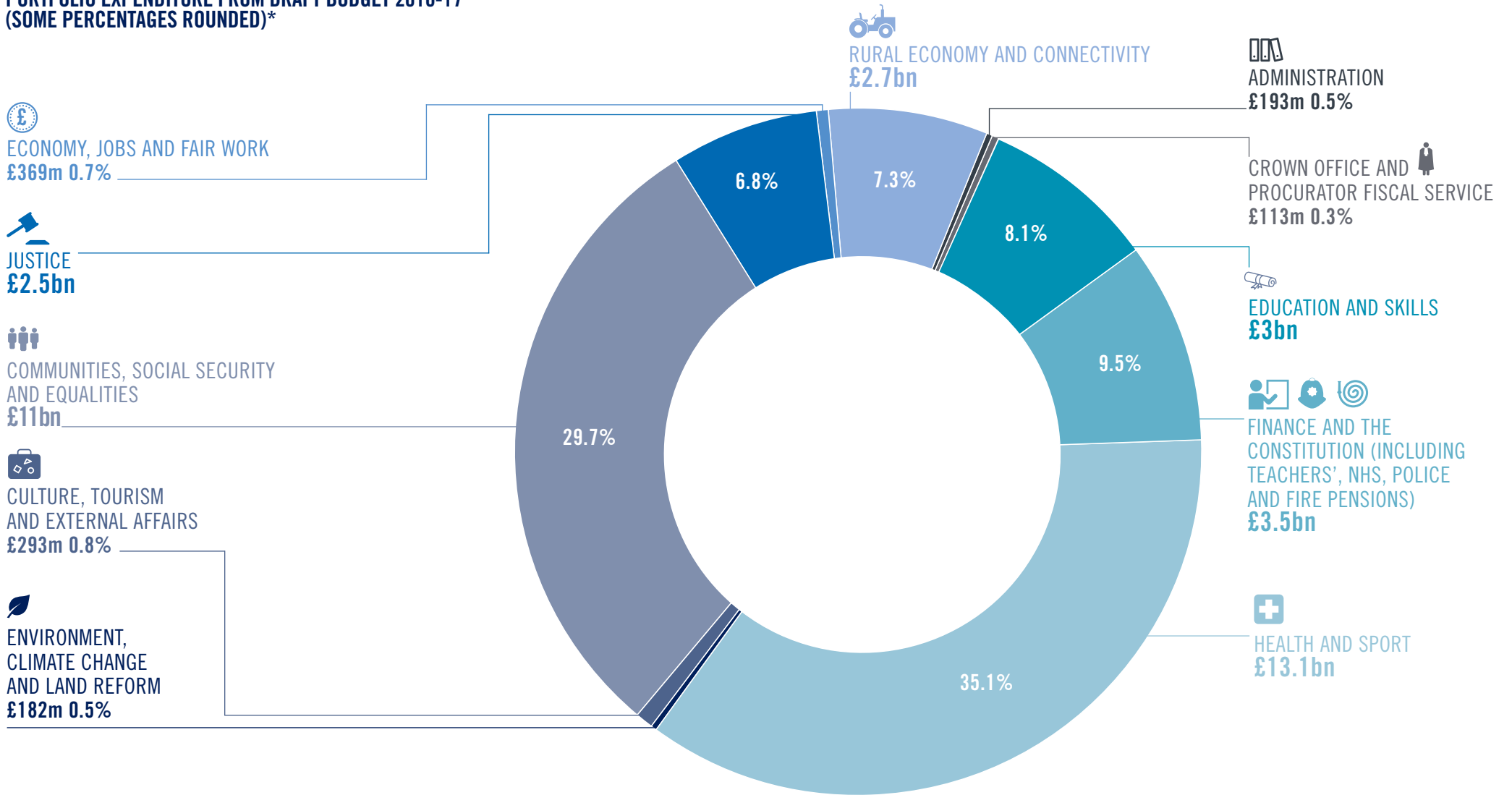
The Scottish tax landscape 2016-17



ILLUSTRATIVE CHART BASED ON DEVOLVED POWERS IN 2016-17

What is planned to be spent in 2016 -17

PORTFOLIO EXPENDITURE FROM DRAFT BUDGET 2016-17 (SOME PERCENTAGES ROUNDED)*



 IN 2016-17 THE LOCAL GOVERNMENT SETTLEMENT TO SUPPORT 32 COUNCILS ADDS UP TO MORE THAN £10 BILLION

* AS PUBLISHED IN SCOTLAND'S SPENDING PLANS AND DRAFT BUDGET 2016-17 (PUBLISHED IN DEC 2015), ADJUSTED TO REFLECT PORTFOLIO CHANGES IN MAY 2016

TOTAL PORTFOLIO EXPENDITURE FROM DRAFT BUDGET 2016-17
£37bn

The shape of fiscal responsibility in 2017-18 and beyond







THE FISCAL FRAMEWORK

IS AN AGREEMENT MADE IN FEBRUARY 2016 BETWEEN THE SCOTTISH AND UK GOVERNMENTS SETTING OUT THE RULES BY WHICH SCOTLAND'S NEW FINANCIAL AND SOCIAL SECURITY POWERS ARE TRANSITIONED AND MANAGED.



- **The terms of the agreement** are designed to ensure no detriment to the Scottish budget. If tax policy and economic performance in Scotland remains the same as in the rest of the UK, then the Scottish budget will be no better or worse off than it would have been under the Barnett Formula.
- **The Fiscal Framework** requires forecasting of information by a body independent of Government. From April 2017 the Scottish Fiscal Commission will assume statutory powers as an independent body to produce relevant fiscal forecasts.
- **From 2017-18 income tax in Scotland** will be raised and spent by the Scottish Government, estimated to be in excess of £11bn.

TIMELINE OF CHANGE

1999	2015	2016	2017	2018	2019
 SCOTTISH PARLIAMENT CAN INCREASE OR REDUCE INCOME TAX BY 3P IN THE POUND SCOTTISH PARLIAMENT HAS POWERS OVER NON-DOMESTIC RATES	 SCOTTISH PARLIAMENT CONTROLS FULLY DEVOLVED TAXES, LAND AND BUILDINGS TRANSACTIONS TAX AND LANDFILL TAX	 SCOTTISH PARLIAMENT GAINS PARTIAL POWERS TO SET THE SCOTTISH RATE OF INCOME TAX	 SCOTTISH PARLIAMENT GAINS FURTHER POWERS TO SET INCOME TAX RATES AND BANDS	 REPLACEMENT FOR AIR PASSENGER DUTY	 ASSIGNMENT OF VAT RECEIPTS

FROM APRIL 2017

THE SCOTTISH PARLIAMENT WILL CONTROL THE MANAGEMENT OF THE CROWN ESTATE IN SCOTLAND WITH REVENUES TO BE USED TO DEVELOP ISLAND AND LOCAL COMMUNITIES.



20% BASIC RATE

THE SCOTTISH RATE OF INCOME TAX FOR 2016-17 SET SO SCOTTISH TAXPAYERS ARE ON SAME RATES OF TAX AS REST OF UK



- **The capital borrowing cap** has been increased from £2.2 billion to £3 billion. From 2016-17 annual borrowing will be limited to £450m (15% of the cap).
- **The UK Government has retained power to set the VAT rate** but from April 2019 broadly half of the estimated money received from VAT on purchases made in Scotland will be passed to the Scottish Government instead of HM Treasury.
- **When taxes are raised or assigned in Scotland** the block grant is reduced.

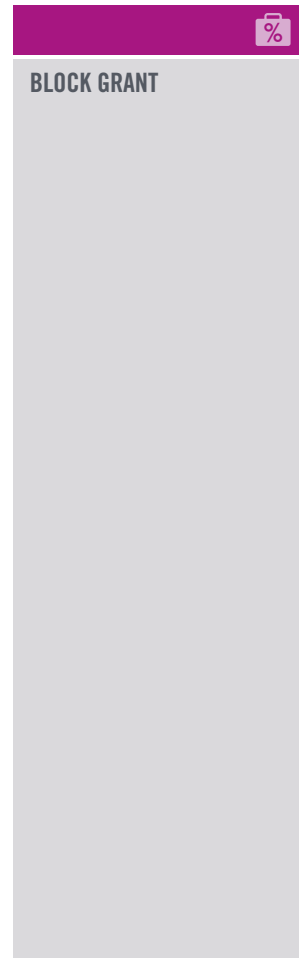
How our funding system is changing

WHERE THE SCOTTISH GOVERNMENT BUDGET COMES FROM

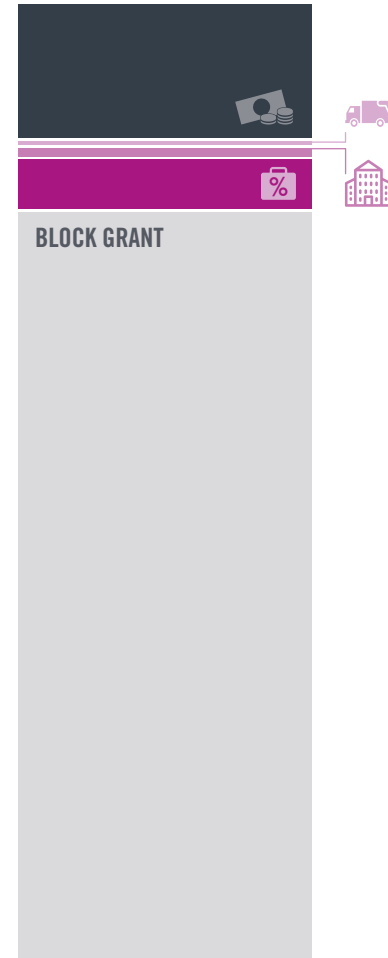
-  AIR PASSENGER DUTY
-  SCOTTISH RATE OF INCOME TAX / INCOME TAX
-  SCOTTISH LANDFILL TAX
-  LAND AND BUILDINGS TRANSACTION TAX
-  NON DOMESTIC RATES
-  VAT
-  BLOCK GRANT

TABLE PROVIDES ILLUSTRATIVE SHARE OF BUDGET IN YEARS BASED ON ESTIMATES FROM 2016-17 FIGURES. ACTUAL PERCENTAGES IN GIVEN YEARS WILL VARY.

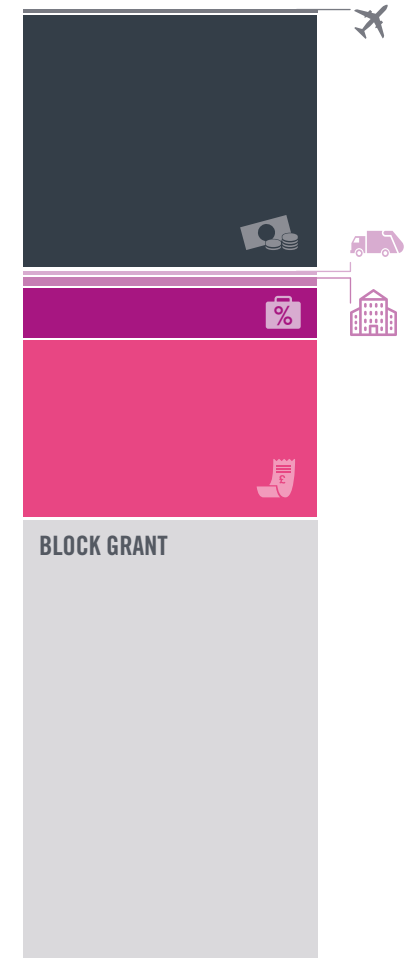
IN ADDITION LOCAL AUTHORITIES SET AND RAISE COUNCIL TAX TO FUND LOCAL SERVICES, BUT THIS IS OUTWITH THE SCOTTISH BUDGET.



SCOTLAND ACT 1998



SCOTLAND ACT 2012



SCOTLAND ACT 2016

ESTIMATES ONCE ALL FISCAL POWERS HAVE BEEN DEVOLVED BY 2019-20

How our system is changing

THE VALUE OF SOCIAL SECURITY BENEFITS TO BE DEVOLVED FROM 2019-20

ESTIMATES BASED ON 2015-16 FIGURES. AT THE POINT THAT DEVOLUTION TAKES PLACE, NUMBERS WILL REFLECT CHANGES IN PUBLIC SPENDING AT UK LEVEL IN THE INTERVENING YEARS.

£2.8bn

DISABILITY LIVING ALLOWANCE
£1,400m



SEVERE DISABILITY ALLOWANCE
£51m



PERSONAL INDEPENDENCE PAYMENT
£318m



INDUSTRIAL INJURIES DISABLEMENT BENEFIT
£87m



ATTENDANCE ALLOWANCE
£487m



CARER'S ALLOWANCE
£222m



DISCRETIONARY HOUSING PAYMENT
£49m



(£13m FROM DWP TOPPED UP BY £35m FROM SCOTTISH GOVERNMENT)

SURE START MATERNITY GRANT
£3m



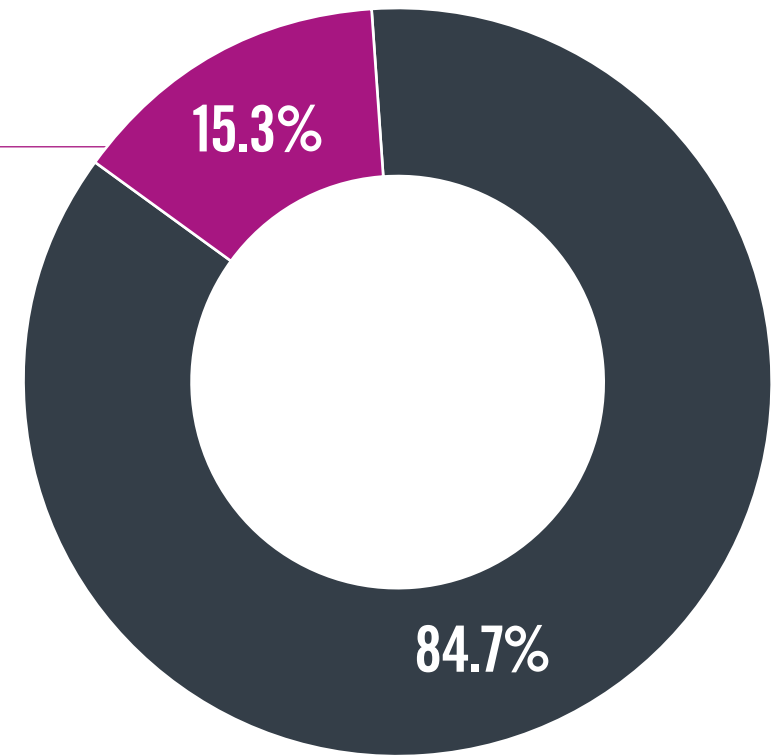
WINTER FUEL PAYMENT
£181m



COLD WEATHER PAYMENT
£3m



FUNERAL PAYMENT
£4m



NUMBER OF PEOPLE RECEIVING BENEFITS IN SCOTLAND FOR:



DISABILITY LIVING ALLOWANCE

FIGURES AS AT MAY 2016

293,000



ATTENDANCE ALLOWANCE

FIGURES AS AT MAY 2016

127,000



DISCRETIONARY HOUSING PAYMENT

FOR FINANCIAL YEAR 2015-16

116,000

ONCE POWERS ARE DEVOLVED THE SCOTTISH PARLIAMENT WILL CONTROL 15.3% OF THE UK SOCIAL SECURITY BUDGET SPENT IN SCOTLAND

CONTROL OVER 84.7% OF THE UK SOCIAL SECURITY SPEND IN SCOTLAND, INCLUDING UNIVERSAL CREDIT, WILL REMAIN RESERVED TO UK GOVERNMENT

- The Scottish Government will be responsible for employment support from April 2017. Ministers have awarded initial contracts for the transitional service. Work First Scotland will offer employment support to disabled people, while Skills Development Scotland will provide support for those with a long-term health condition through Work Able. There will be one fully devolved employment service from April 2018.



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Any enquiries regarding this publication should be sent to us at
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St Andrew's House
Edinburgh
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