

Emergency Budget Review 2022-23

November 2022

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1. Foreword

The whole world is facing a period of substantial economic turmoil. The impacts of the pandemic coupled with Russia's continued illegal invasion of Ukraine have created a disruptive set of financial and economic challenges that every government must address. Rising prices, soaring energy bills, and the resulting increased financial pressure on public services are not unique to the UK.

However, the UK Government - as a result of Brexit, inaction over the summer and the catastrophic decision to announce unfunded tax cuts for the wealthiest - has made the situation in the UK significantly worse. While these tax cuts have now been largely reversed following widespread criticism, households and businesses across the country will pay the price for the former Prime Minister's mistakes for months, and years, to come.

The financial situation facing the Scottish Government is, by far, the most challenging since devolution. As a result of inflation, the 2022-23 budget is worth around £1.7 billion less than when it was introduced to Parliament in December 2021. In addition, we face significant, and entirely understandable, demands from public sector workers for pay increases that reflect the increased cost of living. We are also dealing with the unforeseen – though entirely understandable and accepted - costs of resettling refugees fleeing the war in Ukraine. We want to act to the fullest extent possible to support households and businesses impacted by current economic conditions. We do not begrudge paying any of these additional costs. At a time of crisis, it is right that people look to their Government to support them. However, to meet these costs – that were not anticipated when our budget was set – requires a difficult process of re-prioritisation.

The fiscal constraints of devolution mean that the Scottish Government cannot borrow to meet these increased costs, nor are we able to change income tax rates midway through a financial year. This means that the Scottish Government's budget is effectively fixed in cash terms. Every additional pound that we spend in one area,

means a pound less has to be spent in another area. The Scottish budget is at the absolute limits of affordability.

Alongside our counterparts in Wales and Northern Ireland, we have called on the UK Government to provide additional funding for devolved governments to ensure that public services and public sector pay are not undermined by inflation and so that additional support can be made available to those that need it most. To date, there has been no positive response to these calls – instead we are anticipating a package of cuts and tax rises in the Autumn Statement now scheduled for 17 November.

We are also deeply concerned about the direction of travel in advance of the impending UK Government decision on the uprating of benefits. This support is vital to the wellbeing of those in greatest need across our society and any below-inflation uprating of benefits by the UK Government will reduce living standards for those already living on the financial margins. There is also an associated risk to public finances in Scotland, where we believe in providing support to those in greatest need. A failure by the UK Government to increase benefits in line with inflation means that the Block Grant Adjustments for comparable benefits in Scotland will not be sufficient to support an inflationary increase in Scotland, requiring us to divert further resources from elsewhere in our budget if we are to meet that demand in the next financial year.

When we announced that we would undertake a review of our devolved budget in August it was with two objectives - to ensure a path for the Scottish Government to meet our requirement to balance the books, and to identify any additional resources that could be made available to support those hardest hit by the cost of living crisis, including through fair pay increases for public sector workers, especially the lowest paid.

While there is great uncertainty and volatility in our funding position due to the risk of in year funding reductions to our Block Grant from the UK Government and a deteriorating economic picture, this review delivers on both these tasks.

The changes we are making mean we are supporting public sector workers in Scotland with enhanced pay offers worth over £700 million more than originally planned, including pay increases of 5% to the majority of public sector workers and an offer averaging 7% to our NHS Agenda for Change staff. We have also identified around £35 million of further support, in addition to allocating almost £3 billion in funding this financial year to support the most vulnerable in our society. That includes the additional commitments to double the fuel insecurity fund and increased funding to Local Authorities to support discretionary housing payments. It also includes the commitment to double the value of the December Scottish Child Bridging Payment, from £130 per eligible child to £260, benefitting around 145,000 school age children registered to receive free school meals on the basis of family low income. Funding of around £1 million will also be provided to help island households manage energy costs due to higher costs of living, and we are providing additional support to business and SMEs weathering the cost crisis.

We have sought throughout this review to continue our focus on the government's overriding priorities of supporting public services, tackling child poverty, building a prosperous economy and achieving net zero by 2045. By definition, a budget review of this nature has required decisions which will impact on those priorities, which we are committed to continuing to deliver for the long term. Within this, we have protected the NHS with no reduction in overall Health spending and all funding from reprioritising budgets within the NHS, retained by the NHS.

The Emergency Budget Review represents part of our continuing response to the cost of living crisis. That response is undeniably constrained by the limitations on devolution. We will continue to make the case for the UK Government to do more to protect our citizens, our public services and our economy. We will also make the case that with the powers of independence the Scottish Government would be able to do so much more.

John Swinney MSP

Deputy First Minister and Cabinet Secretary for Covid Recovery

2. Introduction

This Emergency Budget Review (EBR) sets out the next steps the Scottish Government is taking to respond to the current economic circumstances, which are amongst the most complex and challenging in recent times.

Against this difficult and highly uncertain backdrop, it is vital that the current situation and potential solutions are considered with care. An expert panel has therefore been convened to provide independent commentary to inform the EBR and the Scottish Budget 2023-24. Their full interim commentary will also be published alongside this week's Emergency Budget Report.

This has been undertaken in the context of regular changes to the UK Government's fiscal plans alongside the prospect of another era of austerity, which would have significant consequences for devolved budgets. These uncertainties limit what the Scottish Government can do in the short term and present serious risks for the 2023-24 Budget that will be laid before Parliament in December.

This context was set out initially in the Resource Spending Review (RSR) on 31 May and updated in the Programme for Government (PfG) published on 6 September, on the same day a new Prime Minister was appointed. It was not, at that point, expected that there would be another new Conservative Party leader, and therefore a new Prime Minister and Government, before the publication of this Emergency Budget Review.

In addition to high inflation, the Scottish Government budget is facing the most severe level of uncertainty since devolution. As well as causing significant volatility and instability in financial markets, the piecemeal approach both the former and current UK Governments have taken when presenting fiscal plans, and changing the publication dates of those plans, coupled with a series of tax and policy reversals, present a significant challenge to the devolved nations' financial planning processes.

Since the UK Government’s fiscal plans directly impact upon the level of funding available to the Scottish Government through both the Block Grant and the Fiscal Framework, this has introduced significant volatility to our own budget. For example, following the UK Government “mini-budget” we anticipated a potential £660 million increase to our funding position over the period 2022-23 to 2024-25. However we now anticipate a cumulative net loss to the Scottish budget of £230 million over the same period, partly as a result of reversals in the UK Government’s tax position. In simple terms, therefore, in a period of less than one month, the Scottish Government’s indicative funding has fluctuated by £890 million and this is before the impact of any spending cuts that might be announced by the Chancellor in the Autumn Statement.

Table 1 – Impacts of impacts of UK “mini-budget” (and reversal) on the Scottish Budget

Estimated Block Grant Adjustment impacts of UK activity on SG Budget	22-23 (£m)	23-24 (£m)	24-25 (£m)	Total (£m)
“Mini-Budget” - UK Growth Plan (23 September)	35	395	220	660*
Fiscal Statement (17 October)	35	65	-330	-230**
			Difference	-890

*Includes effects of the abolition of the Additional Rate of Income Tax, decision to bring forward the cut to the Basic Rate of Income Tax to 2023-24, and the changes to SDLT thresholds. This figure was provided by HM Treasury.

**Includes effects of SDLT changes and the decision to retain the Basic Rate at 20% indefinitely. In addition, the 19p UKG basic rate tax cut had been factored into SG funding from 2024-25 as outlined in May 2022 MTFS. In the absence of updated BGA figures from HM Treasury, this is an indicative estimate based on the Scottish Government’s own assessment which is in line with what external commentators have said.

This indicative assessment, based on HM Treasury estimates and Scottish Government analysis, is subject to relevant Office for Budget Responsibility and Scottish Fiscal Commission forecasts. However, it illustrates the challenges

presented by the fiscal framework and the impact that the continuing influence of UK Government decisions has on the devolved public finances.

Additionally, the Scottish Government has explored all options to offer fair and affordable pay awards to around 450,000 devolved public sector workers delivering essential services in Scotland. Indeed, public sector wages are currently on average 7% higher in Scotland than in the rest of the UK, recognising the value that we place on sustaining public services for the people of Scotland alongside providing fair and sustainable pay awards for those who deliver them. Since the UK Government has decided not to act and provide additional funding for pay, in ways that devolved fiscal powers cannot, this has necessitated difficult decisions being taken within the 2022-23 financial year. Although some public sector pay negotiations have still to conclude, the Scottish Government has already committed over £700 million of additional resources to fund enhanced pay settlements.

Table 2: Cost of Public Sector Pay Offers (as at 27 October 2022)

Workforce	Additional cost of pay uplift (beyond Public Sector Pay Policy 2022-23)
Police	£37 million
Local Government workforces (including teachers)	£260 million
Scottish Government Main	£17 million
NHS (Doctors and Dentists)	£70 million
NHS (Agenda for Change)	£330 million

The Scottish Government committed to undertaking an EBR to supplement normal budget processes and determine any and all opportunities to direct additional resources to support those most in need, and ensure existing resources are allocated as effectively as possible in light of changing circumstances. The review primarily examined the scope for change within the current 2022-23 budget, alongside an assessment of the context that will inform the forthcoming Scottish Budget 2023-24. The process has considered all devolved budgets – including capital investment in infrastructure - and determined where savings can be made. Unlike our annual budget process, this in-year exercise takes place at a point in the budget cycle where the majority of spend is already contractually committed or

supporting vital programmes, so the opportunity to make change is necessarily limited. Budget adjustments have been set out for parliamentary approval as usual in the Autumn Budget Revisions, with the Spring Budget Revisions to follow in 2023. The EBR also sets a new starting point for future spending decisions, allowing us to take the current economic challenges and cost of living fully into account.

These challenges are likely to continue. Fiscal uncertainty and the combined impacts of inflation and pay deals mean that, unless the UK Government's position changes radically, the Scottish Government will need to consider options for resetting previous spending plans and considering revenue options in the 2023-24 Budget. The measures in the EBR sit within our strategic ambitions for financially sustainable public services, firmly based in the Scottish Government's reform principles. These early measures are needed to protect frontline service provision, but we are also committed to effective public service reform designed in line with well-established Christie Commission principles. We know that the needs of communities and people across Scotland are varied, and all public services will need to work together to better support people to thrive, and to prevent the human and economic cost of inequality in future years.

It is known that the impact of the cost of living crisis is not felt equally. Emerging evidence on the cost of living crisis from a wide range of sources has been considered to understand the economic and social challenges facing Scotland and we are publishing this evidence in an analytical report, *The Cost of Living Crisis in Scotland*. Some of this analysis was in place for the equality assessments that informed the 2022-23 Equality and Fairer Scotland Statement, and the report brings together known evidence as we approach the Scottish Budget 2023-24. Recognising the unprecedented nature of the changes on our budget this year, this Emergency Budget Review is also accompanied by a summary of the equality and fairness evidence which considers the specific impacts of the substantive in-year adjustments required.

3. Fiscal Context

Scotland and the UK – like many other countries - are facing extraordinary times with inflation at a 40 year high, driven by the strong increase in the costs of energy linked to the war in the Ukraine and continuing disruption to global supply chains following the pandemic. However, Scotland and the UK also face unique challenges, linked to the loss of access to the single market, including frictionless trade and free movement of labour.

In May of this year, the Scottish Government set out an assessment of the fiscal outlook until 2026-27 alongside its multi-year spending plans. Against the backdrop of an already weakening economic outlook over the course of the summer, the UK Government’s “mini-budget” proposed a combination of supply side reforms and £45 billion of unfunded tax cuts targeted at high income earners. Instead of growing the economy, however, the UK Government’s actions sparked a financial crisis which saw the pound fall to a 37 year low against the dollar and the cost of government borrowing rising to its highest level in over a decade. This ultimately required the Bank of England to intervene several times in the UK bond markets to protect parts of the pension industry and maintain the UK’s financial stability.

Even though the majority of the measures in the “mini-budget” have now been reversed and financial markets have calmed as a result, the damage has been done. Households and businesses across the country are already facing higher mortgage costs, higher interest rates and uncertainty, creating unnecessary additional financial hardship. As noted by the expert panel, the immediate consequences of the “mini-budget” were to create significant political and policy uncertainty and to undermine economic confidence, none of which is conducive to stimulating higher growth in the coming years.

The UK Government has signalled that it will take “eye-wateringly” difficult decisions on tax and public spending at its Autumn Statement on 17 November when the Office for Budget Responsibility (OBR) will also provide an updated assessment of the UK’s economic and fiscal outlook.

Even in the absence of updated forecasts, the scale of the challenge is becoming increasingly clear. According to independent commentators, the UK Government is still expected to find £30 to £40 billion of tax increases or spending cuts to stabilise debt, as a share of GDP, by 2026-27 – even with borrowing costs now back to levels seen prior to the “mini-budget”.

Nevertheless, reductions in UK departmental spending of such a scale, if confirmed, would have severe knock-on impact on the Scottish Government’s budget and vital public services and infrastructure investment. The prospect of a new era of austerity is extremely concerning as Scotland has already suffered a decade of UK Government imposed austerity that has disproportionately hurt the poorest and most vulnerable in society and resulted in under-investment in crucial public services. A recent report has also laid bare the human cost of UK-led austerity following the financial crisis, which resulted in almost 20,000 excess deaths in Scotland.¹ Added to this, there are growing concerns that there could be spending cuts on infrastructure which would further hamper our ability to meet our net zero targets and damage our economic recovery - adding extra uncertainty to industries during these challenging and turbulent times. When the UK Government is making its spending decisions in the coming days, it is vital that Scotland’s capital allocation is protected and enhanced to reflect rising inflation in their spending plans.

In the face of such uncertainty, the expert panel has recommended a cautious fiscal response. As well as supporting households and businesses through the current crisis, Government policy must not lose sight of the longer-term objectives of building a stronger, more resilient economy.

¹ Walsh D, Dundas R, Mc Cartney G, Gibson G, Seaman R. Bearing the burden of austerity: how do changing mortality rates in the UK compare between men and women? *Journal of Epidemiology & Community Health*

4. 2022-23 Financial Management

Work has been undertaken across the Scottish Government to generate savings options to support the achievement of a balanced budget and enable consideration of further cost of living initiatives including enhancing public sector pay. The initial EBR work, coupled with robust in-year financial management practices, enabled the package of £560 million of savings which were announced to Parliament on 7 September 2022. These include (full list included at Annex B):

- Spend reductions of £53 million in the budget for employability schemes
- Increased in-year funding of up to £56 million generated by the ScotWind clearing process – funding that will be reinstated in future years and used, as planned, to invest in addressing the climate and biodiversity crises
- Spending reductions of £33 million through deferral of ring-fenced agriculture funds, to be returned in future years, and whilst not impacting eligibility, taking a risk based forecasting approach based on demand, a reduction of £37 million in concessionary fares spend

It was made clear in announcing these and other savings that the scale of the challenge faced is both so important and so severe that further work would be required. This has been ongoing across Scottish Government, considering the scale, value and deliverability of further options that could be progressed. This process has identified additional options for spending reductions and reprioritisation in order to support the urgent priorities of enhancing public sector pay and cost of living support. These amount to around £615 million and fall across the government including (full list included at Annex A):

- Reprioritisation of spend within the Health and Social Care Portfolio (£0.4 billion) to support a fair pay offer of approximately 7% to NHS Agenda for Change staff and to manage wider pressures in the Health and Social Care sector. Whilst lower than planned, we have continued to support overall increases to mental health spending, as well as delivery of dementia, learning

disability and autism services, and cross-cutting trauma work. The portfolio has also been required to manage a number of financial pressures, including from Covid following the UK Government's unilateral decision to remove Covid funding, increased inflation and increased demand. These decisions recognise that supporting a fair pay offer for NHS staff is critical to delivering NHS services. The full balance of Health and Social Care reprioritisation will remain within the portfolio.

- Further resource savings of £33 million from across the Scottish Government, to add to the £440 million announced on 7 September to enable a balanced budget, support Government priorities and the policy measures set out in this document.
- Around £180 million of capital and Financial Transaction reductions to support wider financial management, taking account of the market outlook for demand-led investment, global supply chain issues and construction capacity.
- All budget changes will be reflected in budget revisions as part of our annual budget process and will be subject to the normal parliamentary scrutiny.

Unlike the UK Government, the Scottish Government is extremely constrained by a combination of the Fiscal Framework, a requirement to balance the budget and limitations on our ability to borrow or increase tax revenue. The current level of uncertainty is the highest faced since devolution and as a result there remains a risk to balancing the 2022-23 budget. A careful and prudent risk management approach is critical in progressing both the responsibility to support those most in need in Scottish society, and the duty to robust fiscal management.

5. Policy Measures

Section 3 set out the fiscal context within which Scottish Government has made decisions to progress our priorities and secure the social contract that people in Scotland can rely on. The financial and policy decisions we have made are in response to the unprecedented burdens the cost of living crisis has placed on Scotland's households, businesses and public finances – made worse by a number of the UK Government's choices. In the Programme for Government (PfG), the Scottish Government announced a package of support to aid families and businesses. In 2022-23, almost £3 billion has been allocated to mitigate the impact on households, including a range of support for energy bills, childcare, health and travel, as well as social security payments that are either not available anywhere else in the UK or are more generous. This also includes delivering energy efficiency and heating improvements and advice for those most in need through Warmer Homes Scotland and our Area Based Schemes.

The Scottish Government recognises that the cost of living crisis has required a fresh approach to public sector pay in 2022-23 and has worked closely with employers and trade unions to secure agreement to make fair pay awards that balance support for hard working public sector employees, especially those on lower incomes, with affordability. Where settlements have still to be reached, we will continue to engage and negotiate in good faith with our partners.

So far, over £700 million of public spending has been reprioritised to support enhanced pay offers in 2022-23, including £260 million of additional funding to Local Government to support their offer. This Emergency Budget Review is being published before all of the public sector pay deals are settled but takes account of the anticipated costs as we make adjustments to the 2022-23 budget and look towards the Scottish Budget 2023-24.

Paying higher wages is the biggest contribution the Scottish Government can make to helping many families with soaring costs, impacting around 450,000 devolved public sector workers – or approximately one fifth of Scotland's workforce. It also

represents our commitment to sustaining public services. The costs of pay deals have recurring implications for budgets in future years. With over £22 billion invested in employee pay this year, equivalent to more than half the Scottish Government's resource budget, financial sustainability must be a key element of all pay awards. A primary purpose of the savings outlined in the previous section of this review is to support pay settlements within the 2022-23 budget. However, all spend has been reviewed for opportunities to redirect additional resources to those most in need, reduce the burdens on business and stimulate the Scottish economy.

In reviewing measures which would provide this support, consideration has been given to proposals put forward by a range of stakeholders, including research institutes and voluntary and business organisations. This process has also been informed by the updated analysis of the anticipated impacts associated with rising costs and real term reductions in income set out in *The Cost Of Living Crisis In Scotland: An Analytical Report*.

As a result, in addition to providing enhanced pay awards for public sector workers, action is being taken to support individuals and households across a number of areas, as follows:

- doubling the value of the December Scottish Child Bridging Payment, from £130 per eligible child to £260, benefitting around 145,000 school age children registered to receive free school meals on the basis of family low income
- doubling the Fuel Insecurity Fund to £20 million in 2022-23, to help households at risk of self-disconnection or self-rationing of energy use as the energy price cap has risen from October
- funding to local authorities for additional Discretionary Housing Payment support to mitigate the UK Government's benefit cap as fully as possible within devolved powers, and providing local authorities with more flexibility to take account of energy bills in their prioritisation of households for Discretionary Housing Payments

- providing support, via emergency legislation, to protect tenants by freezing rents and imposing a moratorium on evictions until at least 31 March 2023
- implementing reforms to remove cost burdens for the most financially vulnerable allowing them to obtain debt relief through bankruptcy where this is needed
- introducing new payment break options to help protect those who have taken control of debt through the highly successful Debt Arrangement Scheme and who are impacted by unexpected increases in cost of living
- an Island Cost Crisis Emergency Fund of £1.4 million, to support island households who are already experiencing higher costs of living, with geography, high fuel costs, a challenging climate as we head into winter and a lack of consumer choice exacerbating this

The actions above, to increase public sector pay and support individuals and households, enable additional spend to support our retail sector, high streets and local economies. This is especially the case as lower income households generally spend a larger proportion of their income and therefore measures that support these households are more likely to increase consumption and support the economy.

Over the last six months we have engaged extensively with business organisations, industry groups and individual businesses and led industry summits on energy and financial services (with an upcoming summit on food retail) to better understand and address the very real challenges businesses face as a result of rising energy costs, wider inflationary pressures and supply issues. On the back of that engagement, we will:

- build on the additional £300,000 provided to Business Energy Scotland (BES) earlier this year to expand and improve energy support for small to medium sized businesses by doubling the energy efficiency cashback element of the BES Loan & Cash Back Scheme to £20,000, covering up to 75% of the installation cost, helping many SMEs with their energy efficiency ambitions

- work with BES, our enterprise agencies and the Scottish National Investment Bank to explore ways to support business to accelerate moves to low/no carbon energy
- encourage all public sector bodies, where 90% of invoices are already paid within 30 days, to pay all SME invoices without delay
- maintain the UK's most generous Small Business Bonus Scheme in 2022-23, which takes over 111,000 businesses out of rates altogether
- work with businesses to respond to skills and labour shortages through continued investment in upskilling and retraining, promoting Fair Work and developing a lifetime skills offer - benefiting business and making organisations more attractive to workers
- continue to invest in employability support, including employer recruitment incentives where appropriate, to assist people who face challenges in accessing the labour market to move towards and into employment - helping individuals to fulfil their potential and meet employer needs
- drive forward delivery of Scotland's fourth National Planning Framework and further planning reform, including asking planning authorities to prioritise planning applications for the installation of alternative energy generation in homes or businesses, or proposals which help businesses to diversify or adjust their operating arrangements
- extend permitted development rights for small scale renewable energy generation; introducing Masterplan Consent areas which will incentivise development by removing the need for planning applications in areas where construction proposals are in line with an agreed scheme
- engage with the development and business sectors to identify and address barriers to development and ensure the planning service is properly equipped to facilitate major proposals, such as those anticipated from the ScotWind programme

As well as these measures, we will seek to balance the essential role that regulation plays in driving innovation and achieving economic, social and environmental goals with concerns businesses have expressed about the impact of new regulation at a time of other pressures and costs. We will therefore:

- continue to engage with businesses and other stakeholders on legislative proposals to restrict the promotion of less healthy food and drink and for a Local Visitor Levy. In line with the existing Parliamentary timetable and plans, these proposals will not be fully implemented until at least 2025 and 2026 respectively
- work with local authorities and business stakeholders to encourage, where possible, consistency in the application of short terms lets, regulations and associated fees
- consider all options to ensure that online takeback obligations under the Deposit Return Scheme, which we understand are a bigger burden for some businesses than others, are applied in an appropriate and proportionate way; and take steps through additional guidance to ensure that the process for retailers to apply for an exemption from operating a return point, if they meet certain criteria as defined in the Regulations, is as straightforward as possible. The Scheme, which is industry led, will launch in August 2023
- establish a Joint Taskforce with COSLA, local authorities, our regulatory agencies and business to consider the differing impacts of regulation on business and drive early progress on the commitment made in the National Strategy for Economic Transformation to review and improve the process of developing, implementing and reviewing regulation to meet our economic and societal aims for the longer term

Annex A: EBR Adjustments – November

Resource Reprioritisation within Health and Social Care portfolio:

Portfolio by Budget Line	£m	Description
Health and Social Care		
Covid	116.0	A range of actions relating to Covid expenditure on vaccinations, test and protect, PPE and additional capacity to drive down additional costs.
Social Care and National Care Service (NCS) re-profiling	70.0	Continuing to progress the commitment to fair work and adult social care, with a one-off saving released this financial year as we work with stakeholders on delivery mechanisms for future years. Re-phasing of NCS development from the Financial Memorandum based on recruitment profile and data and digital investment.
Primary Care	65.0	This has been achieved by a reduction in the planned growth rate for the Primary Care Improvement Fund, including a one-off utilisation of reserve funding held by integration authorities. In addition, it includes re-phasing of some elements of the planned enhancements to community optometry and audiology services.
Re-phasing and pausing of other programmes	63.0	Includes Scottish Trauma Network, Genomics programmes and improvement programmes on older people, clinical audit and education and development.
Mental Health	38.0	This has included continuing to support overall increases to mental health spending as well as delivery of dementia, learning disability and autism services, and cross-cutting trauma work at level of last year's spend. Within the revised budget we will seek to focus on progressing existing commitments including clearing CAMHS and psychological therapies waiting times backlogs.
SG Staff Reductions and other central savings	21.0	Includes vacancy freezes and tightening of recruitment controls at a central level. This does not apply to NHS staff.

Digital	14.0	Reprioritising of work across projects such as Digital prescribing and Microsoft Office updates.
Population Health	13.0	Re-phasing of commitment to double investment in sport, reprioritisation of health improvement spending.
Total	400.0	

Resource Savings Across Portfolios

Portfolio by Budget Line	£m	Description
Education and Skills	2.9	
Further Education	1.3	Reduction in grant spend for international Higher Education.
Raising Attainment	1.6	Re-profiling of expenditure across financial years of the youth work fund and reduction in marketing expenditure.
Finance and Economy	3.3	
Economic Development	1.8	Reduction in grant expenditure and demand led funding.
Tourism Special Projects	1.5	The Covid recovery plan recommended the continuation of the Tourism Recovery Programme (TRP), which was funded from consequentials in 2021-22. As no new funding was secured to support this, a reduced TRP was developed, based on £1.5m funding available within Tourism Special Projects. The reduced TRP programme contained 2 elements, support for Destination Net Zero, and a campaign to promote tourism and hospitality as a career choice. These elements will no longer be delivered as planned.
Justice and Veterans	21.2	
Safer Communities	14.2	Projected saving on the Scottish Government contribution towards the UK-wide ESMCP programme and resource/capital switch.

Justice Demand Led Budgets	7.0	Reduction in spend based on lower than initially anticipated requirement for demand led services within the Justice system as it continues to recover from backlogs. Does not impact on service availability or delivery.
Net Zero Energy and Transport	1.2	
Various	1.2	Re-profiling of expenditure on ENFOR projects to reflect capacity to deliver before the end of the financial year.
Social Justice Housing and Local Government	5.0	
Social Security	3.0	Reduced expenditure in Social Security Scotland operational costs.
Communities	2.0	Re-phasing of expenditure on child poverty as actual delivery costs emerge. This is due to programmes with partners developing at a pace that requires less funding than anticipated. This re-profiling of expenditure will be spent in future financial years to achieve child poverty targets.
Total	33.6	

Capital & Financial Transactions Savings:

Portfolio by Budget Line	£m	Description
Education and Skills	40.0	
Education capital projects	40.0	Includes £30m for reduction in spend due to construction delays in further education projects, and £10m reduced current year expenditure on digital devices, due to a requirement for more detailed scoping of the project in order to support successful delivery, with capital funding now expected to be utilised later in the project.
Finance and Economy	33.0	
Digital capital projects	16.0	In consultation with our Reaching 100 (R100) delivery partner, agreement was made to re-baseline the R100 programme

		plans. This resulted in an overall increase in R100 contract investment, and a reduction in funding required in respect of the digital connectivity R100 programme in this financial year.
Planning capital projects	3.0	Re-profiling of spend across financial years on digital planning projects.
Economic Development capital and financial transaction projects	14.0	£10m re-profiling of expenditure in City Deals programme into future financial years and £4m on reduction in expenditure within South of Scotland Enterprise on loans/equity investment in business.
Net Zero Energy and Transport	60.9	
Energy capital projects	15.0	£5m of savings have arisen as a result of delays in progressing procurement and due diligence in energy investment programmes (including Hydrogen projects) as well £10m of funding that was allocated to Carbon Capture Usage and Storage (CCUS) deployment, but has been delayed due to the lack of market certainty following the UK Government decision on CCUS Cluster sequencing.
Future Transport Fund and support for active travel	28.5	Reduction in expenditure this financial year on Low Carbon funds including Green Bus Fund and Zero Emission Bus funding due to capacity for uptake in grant funding from recipients caused by number of buses that can be converted (i.e. out of action) at any one time (funding will be re-profiled into future financial years), and on support for active travel due to review of non-committed spend to support the EBR process.
Roads and Taxis capital projects	7.2	Includes changing programmes to reflect challenges on delivery in the current climate and £1.5m of reductions in Low Emission Zone taxi improvements due to lower uptake of grant funding caused by lower taxi driver numbers.
Rail capital projects	5.0	In-year spend reduction due to slower delivery of projects reported by Network Rail.
Scottish Canals capital projects	2.5	Saving as a result of pausing non-essential maintenance and works this financial year to support the Emergency Budget Review.

Forestry capital projects	2.7	Reduction in Woodland Grants expenditure based on current level of applications and grants awarded.
Rural Affairs and Islands	6.2	
Agri-Environment	1.5	Revised forecast of spend on agri-environmental measures due to lower than expected number of applications to be progressed in-year, with applications impacted by on-going worldwide supply chain issues.
Marine Scotland Projects	2.1	Arisen partly due to slippage on a range of science and marine related projects because of inflationary and supply chain factors impacting on procurement and delivery timelines. In addition, IT project spend has been paused subject to the findings of an IT review linked to the ongoing transformation activities.
European Maritime Fisheries Fund	2.6	The European Maritime Fisheries Fund programme was fully committed prior to closing on 31 December 2020 but due to the impact of Covid and supply chain issues on claimants the activities underpinning the awards have not been delivered within the specified timeframe which is resulting in a reduced spend this financial year.
Social Justice Housing and Local Government	10.0	
Housing capital projects	10.0	£6m of reduced expenditure in Buildings Standards projects this financial year due to prioritisation of assessment in advance of remediation (which lowers costs in the first instance), and £4m reduced expenditure in More Homes due to global supply chain issues causing delays to the pace of new build delivery.
Total	150.1	

Additional Income:

Portfolio by Budget Line	£m	Description
Finance and Economy	19.0	
Capital and Financial Transactions	19.0	Repayments on regeneration investments (SPRUCE).
Social Justice Housing and Local Government	12.2	
Capital and Financial Transactions	12.2	Increased income from receipts from sales of shared equity properties.
Total	31.2	

Annex B: EBR Adjustments – September²

Portfolio by Budget Line	£m	Description
Constitution, External Affairs and Culture	3.6	
Historic Environment Scotland	1.2	Forecast increase in commercial income.
Various	2.4	Savings from enhanced recruitment controls, reduction in touring fund and National Performing Companies and Scottish Lord-lieutenant activities. Forecast changes across programmes.
Corporate Recharge Costs	1.6	Savings from enhanced recruitment controls and workplace/systems development.
Deputy First Minister and Covid Recovery	0.8	Savings from enhanced recruitment controls and forecast changes across programmes.
Education and Skills	42.7	
Educational Maintenance Allowance (EMA)	3.0	EMA is a demand-led programme and fluctuates from year to year - saving is predicated on lower forecast demand. No change to qualification criteria.
Gaelic Support	1.0	Gaelic Resource being replaced with capital.
Scottish Funding Council savings across programmes	20.0	Lower forecast requirement in Further Education student support, other ring-fenced budgets such as National Transition Training Fund and additional European Structural Funds income.
Teacher Training	2.0	Lower cap on STEM Bursary awards. Forecast reduction in applicants. £800k through the consolidation of programmes within the Initial Teacher Education budget. £200k resource reduction for SPPA teachers' pension scheme costs
Various	16.7	Further resource/capital switches, forecast changes across programmes and savings targets within public bodies.
Education and Skills and Finance and Economy	3.0	

² Announced by Deputy First Minister to Scottish Parliament on 7 September, 2022
[Public sector pay and emergency budget review: Ministerial statement - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/public-sector-pay-and-emergency-budget-review/ministerial-statement-2022-09-07/pages/10/)

Portfolio by Budget Line	£m	Description
Flexible Workforce Development Fund (FWDF)	3.0	Delivery of Year 5 of FWDF is underway with applications closed in August. Latest estimates of spend are below the full allocation.
Finance and Economy	87.4	
City and Regional Deals	1.3	Forecast changes based on review of spend and project timelines.
Employability	53.0	Reduction in Employability spend. Work to be undertaken with Local Authorities and delivery partners now to learn the lessons from Phase 2 of No One Left Behind and to further strengthen our approach to the design and delivery of employability services.
Income - various streams	10.0	Increased income projections including from Scottish National Investment Bank and Registrars of Scotland.
Staff costs	4.4	Saving through organisational redesign and resource to capital switching within digital. Savings from enhanced recruitment controls across portfolio.
Various	18.7	2% efficiency savings across public bodies, forecast changes and savings across a number of programmes.
Justice and Veterans	9.1	
Recovery, Renewal and Transformation Fund (RRT)	5.5	Forecast reduction in demand for RRT funding to replace lost income.
Various	3.6	Forecast changes across programmes based on demand.
Net Zero Energy and Transport	59.8	
Concessionary Travel	37.6	Forecast reduction in patronage numbers and fare levels. Risk based forecasting approach. No impact on eligibility.
EC Receipts - Woodland Grants	5.0	Forecast additional EU funding.
Forestry and Land Scotland	1.0	Increased timber income projections.
Forestry Land Scotland	4.0	Reduced resource investment offset by higher capital investment
Various	12.2	Resource to capital switching, higher interest income within Scottish Water, reduced staff spend and forecast changes.

Portfolio by Budget Line	£m	Description
Rural Affairs and Islands	61.3	
Agriculture and Rural Economy operations	8.4	Savings from enhanced recruitment controls.
EU Income	3.5	Legacy EU Scottish Rural Development Programme one-off modification forecast change.
Marine Scotland	2.2	Savings from enhanced recruitment controls and forecast changes within research programmes.
Ring fenced rural funding	33.0	Deferral of UKG ring-fenced funds, to be returned to RAI in future years.
Various	14.2	Forecast changes across programmes based on demand.
Social Justice Housing and Local Government	108.1	
Consequential	82.0	Utilisation of funding provided by the UKG as part of cost of living announcements in spring 2022.
Employee Costs	20.0	Savings from enhanced recruitment controls.
Various	6.1	Forecast changes across programmes based on demand and re-phasing as well as reductions in staff training, overtime and travel.
Miscellaneous	63.0	Income into the Scottish Consolidated Fund for further ScotWind revenues of up to £56m in 2022-23 from the ScotWind Clearing Process. £7m interest income from short term investment of ScotWind funds. To be returned to NZET in future years.
Total Resource Savings	440.4	
Capital support for Local Government (from multiple portfolios)	120.0	Capital reprioritisation to be identified in multiple portfolios- capital spend so far funded via natural re-profiling.
Total Resource and Capital Savings	560.4	



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Any enquiries regarding this publication should be sent to us at

The Scottish Government
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Edinburgh
EH1 3DG

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