

Final Outturn Report for the Scottish Budget 2021-2022

April 2023

Purpose

1. The purpose of this report is to present a statement of Final Outturn for the financial year 2021-22 against the statutory limits authorised through the appropriate legislative processes by the Scottish Parliament.
2. The report then summarises the financial outturn of the Scottish Government, the bodies within the Scottish Administration and bodies funded directly from the Scottish budget (Scottish Parliamentary Corporate Body and Audit Scotland) against HM Treasury budgetary limits. It also provides a reconciliation to the Scottish Government's 2021-22 Consolidated Accounts.

Background

3. Building on the Scottish Government's 2021-22 Consolidated Accounts¹, this report summarises the financial outturn of the bodies within the Scottish Administration, to report against the statutory budget limits authorised by the Scottish Parliament.
4. This report also includes the outturn of other bodies funded directly from the Scottish Budget, the Scottish Parliamentary Corporate Body and Audit Scotland.
5. Final Outturn reports the position of the Scottish Government's expenditure against the fiscal controls set by HM Treasury which includes all bodies within the Scottish Government budgeting boundary. The Provisional Outturn statement announced in June 2022 also follows this format.

Scottish Government Consolidated Accounts

6. The scope of the Scottish Government's Consolidated Accounts is determined by the requirements of the Government's Financial Reporting Manual (FRoM) and covers elements not included within HM Treasury fiscal totals.
7. The Scottish Government's 2021-22 Consolidated Accounts¹ reports a final expenditure outturn of £49.2 billion against the approved budget of £51.2 billion, generating an underspend of £1,988 million.
8. Taking into account other bodies included within the Scottish Administration boundary, the position shows final expenditure outturn of £55.5 billion against the approved Parliamentary budget of £57.5 billion, generating an underspend of £2,082 million.

¹ [The Scottish Government Consolidated Accounts for the year ended 31 March 2022 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/consolidated-accounts-2021-22/pages/introduction.aspx)

9. The inclusion of the directly-funded bodies completes the picture. The overall reported position for the total Scottish Budget in 2021-22 shows an expenditure outturn of £55.6 billion against the approved Parliamentary budget of £57.7 billion. This results in an underspend of £2,087 million which represents just over 3 per cent of budget. Table 1 below provides further detail, note figures provided are as reported in the audited accounts in each body.

Table 1 - Comparison of Outturn to the Budget Approved by the Scottish Parliament

2021-22 Scottish Government Consolidated Accounts	Final Outturn	Budget	Over / Under
	£million	£million	£million
Finance and Economy	2,080	2,616	(536)
Health and Sport	18,462	18,398	64
Education and Skills	3,781	4,587	(806)
Net Zero Energy and Transport	4,061	4,536	(475)
Constitution External Affairs and Culture	355	354	1
Justice	3,084	3,123	(39)
Rural Affairs and Islands	876	948	(72)
Social Justice Housing and Local Government	16,290	16,411	(121)
Deputy First Minister and Cabinet Secretary for Covid Response	63	72	(9)
The Crown Office and Procurator Fiscal	185	180	5
Total Scottish Government	49,237	51,225	(1,988)
Food Standards Scotland	21	22	(1)
National Records of Scotland	61	61	0
NHS & Teachers Pension Schemes	5,966	6,026	(60)
Office of the Scottish Charity Regulator	4	4	(0)
Registers of Scotland	(4)	21	(25)
Revenue Scotland	7	7	(0)
Scottish Courts and Tribunal Service	172	179	(7)
Scottish Fiscal Commission	2	2	(0)
Scottish Housing Regulator	4	5	(1)
Total Scottish Administration	55,470	57,552	(2,082)
Scottish Parliament Corporate Body	124	128	(4)
Audit Scotland	16	17	(1)
Total Scottish Budget	55,610	57,697	(2,087)

10. The total underspend of £2,087 million does not represent a loss of spending power to the Scottish Government.
11. Significant underspends relate to ring-fenced, non-cash budgets or Annually Managed Expenditure:
 - a. £569 million relates to ring-fenced non-cash budgets, of which the majority of the underspend is in relation to the Student Loan Valuation model and is a direct reflection of the late movement in the Resource Accounting and Budgeting Charge (RAB) and Stock charges relating to Student Loans. The Resource Accounting and Budgeting (RAB) charge is the estimated cost to Government of borrowing to support the student finance system. This is a non-cash movement, representing an adjustment to the impairment of student loans based on economist expectations of likely repayments.
 - b. £314 million relates to Annually Managed Expenditure (AME) budgets which are ring-fenced budgets set by HM Treasury. Any under/overspends shown against UK-funded Annually Managed Expenditure cannot be deposited in the Scotland Reserve and have no subsequent impact on the Scottish Budget. These budgets are not available for general public services.
12. £699 million is carried forward in the Scotland Reserve, the majority of which had been anticipated and therefore included in our 2022-23 funding position.
13. £559 million are adjustments to funding actioned post completion of the Spring Budget Revision and therefore not reflected in the Scottish Budget.

Taxes, Borrowing and the Scotland Reserve

14. The Fiscal Framework Outturn Report 2022² published by the Scottish Government on the 27 September provides information in relation to Scottish Income Tax, fully devolved taxes, the use of borrowing powers and the operation of the Scotland Reserve. The Fiscal Framework Outturn Report sets out the position as reported in the Provisional Outturn statement to Parliament in June 2022, the next section provides an update to that position and an explanation of the key movements between Provisional and Final Outturn.

² [Fiscal framework outturn report: 2022 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/fiscal-framework-outturn-report-2022/pages/1-introduction.aspx)

Final Outturn – HM Treasury Controls

15. The final 2021-22 fiscal outturn confirmed with HM Treasury in December was £46.8 billion against a budget of £47.5 billion, resulting in an underspend of £699 million, less than 1.5% of the total budget (Table 2 below provides further detail). This represents a movement of £49 million from the provisional £650 million underspend reported in June 2022 in the Provisional Outturn Statement.

Table 2 – Final Outturn 2021-22 (HMT budgetary limits)

2021-22 Final Outturn	Outturn	Budget	Variance
	£million	£million	£million
Finance and Economy	2,049	2,625	(576)
Health and Sport	17,947	17,865	82
Education and Skills	3,822	3,906	(84)
Net Zero Energy and Transport	3,823	4,342	(519)
Constitution External Affairs and Culture	351	344	7
Justice	3,065	3,105	(40)
Rural Affairs and Islands	832	902	(70)
Social Justice Housing and Local Government	14,374	14,401	(27)
Deputy First Minister and Cabinet Secretary for Covid Response	63	72	(9)
The Crown Office and Procurator Fiscal	171	173	(2)
Total Scottish Government	46,497	47,735	(1,238)
Food Standards Scotland	20	21	(1)
National Records of Scotland	57	57	0
NHS & Teachers Pension Schemes	0	0	0
Office of the Scottish Charity Regulator	4	4	(0)
Registers of Scotland	(3)	8	(11)
Revenue Scotland	7	7	(0)
Scottish Courts and Tribunal Service	150	153	(3)
Scottish Fiscal Commission	2	2	(0)
Scottish Housing Regulator	4	5	(1)
Total Scottish Administration	46,738	47,992	(1,254)
Scottish Parliament Corporate Body	107	110	(3)
Audit Scotland	10	11	(1)
Total Scottish Budget	46,855	48,113	(1,258)
Funding Adjustments – late UK Supplementary Estimate funding reduction	(13)	(59)	46
Funding Adjustments – reduction in borrowing	0	(299)	299
Funding Adjustments – reductions in Financial Transactions	(0)	(214)	214
Total Outturn	46,842	47,541	(699)

16. The Provisional Outturn Statement is presented to Parliament prior to completion of audited accounts for the Scottish Government and associated bodies and is therefore subject to change.
17. The changes between Provisional and Final Outturn were a result of accounting adjustments which occurred as part of the year-end process. The most material reduction was within Social Security benefit expenditure audit.
18. The £699 million underspend is carried forward in full in the Scotland Reserve. The majority of the underspend in 2021-22 was already included in the 2022-23 funding position: £324 million was anticipated within the initial 2022-23 Budget, with an additional £120 million announced by the Cabinet Secretary of Finance and Economy to support Local Government 22/23 costs at stage 1 of the Budget Bill process. The remainder has been fully allocated during 2022-23 as part of the Autumn and Spring Budget Revision processes.
19. Annex A provides a reconciliation to the Scottish Government's Consolidated Accounts outturn versus Final Outturn statement against HM Treasury Totals. The difference is driven by non-cash and funding adjustments.

Summary

20. The Scottish Government's approach means that budgets are carefully managed across more than one year, with limited funding carried forward into the following year to support budget plans approved by the Scottish Parliament. This approach recognises fluctuations in demand and associated costs across spending review periods, ensuring no loss of spending power in Scotland. Table 3 below sets out the final Reserve carry forward position. As indicated above the majority of the £699 million underspend was already included in the 2022-23 funding position with the remainder fully allocated during 2022-23 as part of the Autumn and Spring Budget Revision processes.

Table 3 – Scotland Reserve 2021-22

Scotland Reserve 2021-22	Resource	Capital	Financial Transactions	Total
	£million	£million	£million	£million
Provisional Outturn	(421)	(183)	(46)	(650)
Movement	(183)	102	32	(49)
Final Outturn	(604)	(81)	(14)	(699)

Annex A – Outturn Reconciliation between HMT Basis and Scottish Government Basis

2021-22 Reconciliation from Scottish Government Consolidated Accounts to HMT Final Outturn	Scottish Budget Variance	NDPBs / Other Bodies	AME / Other	HMT Budget Variance	Non-Cash	HMT Budget Variance (excl. Non-Cash)
	£million	£million	£million	£million	£million	£million
Finance and Economy	(536)	(17)	28	(525)	(51)	(576)
Health and Sport	64	2	23	89	(7)	82
Education and Skills	(806)	(23)	86	(743)	659	(84)
Net Zero Energy and Transport	(475)	(12)	5	(482)	(37)	(519)
Constitution External Affairs and Culture	1	(4)	8	5	2	7
Justice	(39)	0	0	(39)	(1)	(40)
Rural Affairs and Islands	(72)	0	3	(69)	(1)	(70)
Social Justice Housing and Local Government	(121)	0	94	(27)	(0)	(27)
Deputy First Minister and Cabinet Secretary for Covid Response	(9)	0	0	(9)	0	(9)
The Crown Office and Procurator Fiscal	5	0	(7)	(2)	0	(2)
Total Scottish Government	(1,988)	(54)	240	(1,802)	564	(1,238)
Food Standards Scotland	(1)	0	(0)	(1)	(0)	(1)
National Records of Scotland	0	0	0	0	0	0
NHS & Teachers Pension Schemes	(60)	0	60	0	0	0
Office of the Scottish Charity Regulator	(0)	0	(0)	(0)	(0)	(0)
Registers of Scotland	(25)	0	14	(11)	(0)	(11)
Revenue Scotland	(0)	0	0	(0)	(0)	(0)
Scottish Courts and Tribunal Service	(7)	0	(0)	(7)	4	(3)
Scottish Fiscal Commission	(0)	0	0	(0)	0	(0)
Scottish Housing Regulator	(1)	0	0	(1)	0	(1)
Total Scottish Administration	(2,082)	(54)	314	(1,822)	568	(1,254)
Scottish Parliament Corporate Body	(4)	0	(0)	(4)	1	(3)
Audit Scotland	(1)	0	0	(1)	0	(1)
Total Scottish Budget	(2,087)	(54)	314	(1,827)	569	(1,258)
Funding Adjustments – late UK Supplementary Estimate funding reduction						46
Funding Adjustments – reduction in borrowing						299
Funding Adjustments – reductions in Financial Transactions						214
TOTAL						(699)

- Scottish Budget Variance – The difference between actual outturn and budget as reported in the Scottish Government Accounts and also brings in those bodies within the Scottish Administration boundary and directly funded bodies.
- NDPBs / Other Bodies – The Scottish Government Consolidated Accounts includes the grant in aid to the Scottish Government sponsored bodies. To reconcile this to HMT Treasury reporting the grant in aid is removed and replaced with the actual expenditure in those bodies.
- AME / Other – refers to Annually Managed Expenditure and Outside Departmental Expenditure which does not form part of our Scotland Reserve limit and therefore is removed.
- Non Cash – refers to accounting adjustments such as depreciation and does not form part of the Scotland Reserve therefore is removed from the Scottish Budget variance to get to the HMT Budget variance.
- HMT Budget Variance – is the difference between actual outturn and budget for resource, capital and financial transactions which is reported to HMT. Note the funding adjustments in the table relate to changes to funding post conclusion of the Spring Budget Revision and forms part of the overall Scotland Reserve. Note the Scottish Government has a limit of £700 million which can be carried forward in full for use in future years.



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