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Scottish Budget 2018/19
The Implications for Public Services

January 2018

Introduction

The Scottish Government's Budget for 2018/19 was announced by Derek Mackay, Finance Secretary on 14th December 2017. It includes proposals to:

- Increase spending on the National Health Service by over £400million - £200million more than inflation.
- Provide £120million - over and above core education funding - direct to head teachers to help ensure all young people can fulfil their potential
- Lift the 1% public sector pay cap and provide for up to a 3% pay rise for National Health Service staff, police, teachers and others earning up £30,000
- Invest £243million towards the expansion of free nursery education and childcare
- Protect funding for Police and Fire services including retaining VAT refunds in full
- Deliver a local government finance settlement worth more than £10.5billion
- Contribute £756million towards investment of more than £3billion by 2021 to deliver 50,000 affordable homes
- Allocate over £4billion of funding for infrastructure
- Deliver £600million to ensure every home and business will have access to superfast broadband by 2021
- Deliver the first £70million of a new £150million Building Scotland Fund
- Set aside £340million for initial capitalisation of the Scottish National Investment Bank
- Invest nearly £2.4billion in colleges, universities, enterprise and skills bodies – including a real term increase for both college and Higher Education budgets

In introducing the budget, Derek Mackay said that:

"This is a budget for a stronger economy and a fairer society, with increased funding for the National Health Service and protection for low and middle income earners.

"We are investing in our public services and supporting business to develop and thrive. This budget mitigates against the United Kingdom Government's cuts to our block grant.

"It delivers an additional £400million to the health service, it invests in expanding childcare, delivering broadband, building 50,000 new homes and supporting our police and fire services.

"It provides the investment we need to meet the challenges and seize the opportunities of tomorrow."

This year, the announcement of the Scottish budget has been put back until three weeks after the United Kingdom budget that was announced on 22nd November 2017. Welcoming the recommendations of the Budget Process Review Group before announcing the budget, Derek Mackay agreed that publishing the Scottish Budget prior to the United Kingdom Budget would have been 'counter-productive' due to the levels of economic and fiscal uncertainty. Derek Mackay has therefore secured agreement that the Scottish Budget be published three working weeks after the Chancellor delivers the United Kingdom Autumn Budget. Derek Mackay said that:

"The Budget Process Review Group has been a positive example of Parliament, Government and Civic Scotland working together in the interests of the people of Scotland, and I welcome the recommendations they've put forward. The report confirms it would be counter-productive to publish the Scottish Budget ahead of the United Kingdom Autumn Budget, due to the impact that it may have on Scotland's public finances. (So) I have written to Finance Committee to agree a timetable for our 2018/19 Draft Budget and begin implementing the review group recommendations. I propose setting out our Budget plans on 14 December – three weeks after the Chancellor is due to deliver the Autumn Budget – which is in keeping with previous years.

"I look forward to working with the Finance Committee and the wider Parliament as we seek to secure a Budget that will deliver for all of Scotland."

In keeping with last year's process, the Budget Bill timetable has been amended to provide additional time for Parliament to scrutinise the budget proposals. Derek Mackay MSP, the Scottish Finance Secretary, says this demonstrates good governance and partnership working.

The purpose of this briefing paper is to summarise the implications for public services in Scotland and the response of the sector and to provide some commentary.

Taxation

The proposals for taxation 'grabbed the headlines' because it is the first time that the Scottish Government has used its powers to vary taxation from levels set in other parts of the United Kingdom. Its purpose is to introduce a more progressive system of taxation and to raise additional revenues to protect the National Health Service and other services.

The Draft Budget 2018/19 proposes a progressive income tax policy that protects low earning taxpayers through the introduction of a new Starter Rate of tax. There are also plans to introduce a new Intermediate Rate of tax of 21% and to increase the Higher and Top Rate of tax, to 41% and 46%.

The Scottish Government calculates that all taxpayers earning up to £33,000 will be protected from any increase in tax rates; that those earning more than £33,000 will pay only a proportionate amount more; and that 55% of taxpayers in Scotland will pay marginally less in 2018/19 than they would in the rest of the United Kingdom.

Derek Mackay said that:

"The Scottish Government has faced continued austerity from the United Kingdom Government. Over a ten-year period, Scotland's block grant will have been cut by £2.6billion in real terms and the independent Fraser of Allander Institute has confirmed that we face a £500million real terms reduction in spending on day-to-day services over the next two years.

"In order to mitigate United Kingdom budget cuts, protect our National Health Service and other public services, support our economy and tackle inequality in our society, we have decided to reform income tax in Scotland.

"In line with the four tests set out in our discussion paper, our reforms will ensure that the vast majority of taxpayers are protected, that income tax becomes more progressive, that revenues are generated for investment in public services and that - coupled with our spending choices - there will be a positive impact on the economy.

"By raising an additional £164million of revenues to support our investment plans we can deliver on our commitment to the National Health Service in full, with £400million of extra spending on health without having to reduce spending on police and fire services, social care or education.

"Our new, fairer, income tax policy will protect the 70% of taxpayers who earn less than £33,000 a year and ensure they pay less tax next year for any given income whilst asking those earning more than £33,000 to pay a proportionate amount more to support our public services.

"Our plans also ensure that over half of taxpayers will pay slightly less in Scotland next year than they would in the rest of the United Kingdom, protecting low incomes and supporting the economy.

"These measures combined with our investment in the National Health Service, the economy, infrastructure, education and essential public services ensure that in the year ahead Scotland will be the fairest taxed part of the United Kingdom, providing the best deal for taxpayers."

The reforms follow engagement with the public, business organisations and Civic Scotland around the Scottish Government's discussion paper 'The Role of Income Tax in Scotland's Budget'.

The Scottish Fiscal Commission has forecast that these changes will generate £164million of additional revenues in 2018/19 and that following the Scottish Government's decision in 2017/18 to freeze the higher rate threshold, forecast revenues will be £366million above the block grant adjustment.

The additional revenues come at a time when the United Kingdom Government is cutting £200million in real terms from Scotland's budget for day-to-day spending in the coming year and will help to support a draft budget package that provides £400million of increased investment in the health service without having to impose cuts on other public services such as social care, police, fire or education.

Income tax proposals for 2018-19 include:
- A new Starter Rate of 19% will be introduced for those earning between £11,850 and £13,850
- A Basic Rate of income tax at 20% for those earning over £13,850

- A new Intermediate Rate of 21% for those earning over £24,000 - however because of the new Starter Rate taxpayers earning less than £33,000 will pay no more in tax for given incomes
- A Higher Rate of 41% on incomes over £44,273 to £150,000
- A Top Rate of 46% on incomes over £150,000

The Draft Budget confirms that for Residential Land and Building Transaction Tax the Scottish Government will set a new zero rate threshold for first time buyers of £175,000 – taking 80% of first time buyers out of tax altogether. The residential and non-residential rates and bands will remain unchanged. Derek Mackay said that:

"As part of our support for housing we are not just investing £3billion over this parliament to increase the supply of affordable housing, but we will provide more support to help people to own their first home. These changes to Land and Building Transaction Tax mean 80% of First Time buyers will pay no tax at all on the purchase of their first home."

This is the first time that the Scottish Government has used its tax varying powers to set different rates of tax in Scotland to those that the United Kingdom government has set in other parts of the United Kingdom. It has opted for a more progressive approach to taxation than is taken in the rest of the United Kingdom with lower taxes for people with low incomes and higher taxes for people with high incomes. It has also opted for higher taxation overall to fund public services, especially the National Health Service. Critics have suggested that this approach will lead to people with high incomes leaving Scotland but to date there is no evidence that this is taking place.

Local Government Funding Settlement

The Scottish Government claims that local government services have been protected despite cuts to Scotland's block grant. Derek Mackay said that despite a reduction of over £200million to Scotland's block grant by the United Kingdom Government, the 2018/19 Draft Budget delivers a fair funding settlement for local authorities. He said that:

"The Scottish Government has continued to ensure that our partners in local government receive a fair funding settlement despite further cuts to the Scottish Budget from the United Kingdom Government. We have protected day-to-day local government spending, while increasing the capital budget. Local authorities will receive more than £10.5billion through the local government finance settlement in 2018-19.

"We are using our tax varying powers to boost investment in public services, and if local authorities choose to use their powers to increase Council Tax, by up to 3%, they will have an overall real-terms increase in the funds at their disposal, to support local services."

The Scottish Government considers that support for the health of the people of Scotland as being about all the various services that help people to maintain their health and wellbeing, not just the frontline National Health Service. Connected to this, £355million will continue to be transferred from National Health Service Boards to the Integration Authorities to support Social Care. The overall settlement total of £10.4billion takes into account a range of financial pressures facing local authorities in 2018/19; these include an additional £66million of funding for social care, including support for the implementation of the Carers (Scotland) Act 2016, extending the Living Wage to sleepovers and an increase in the Free Personal and Nursing Care payments. The Scottish Government will look to local authorities to continue to prioritise their financial support for social care.

The Scottish Government will allocate an additional £11million of additional support for Early Learning and Childcare resulting from the Children's Act 2014 together with a further £52.2million of revenue and £150million of capital to local authorities in 2018/19 to support the expansion in funded Early Learning and Childcare entitlement to 1,140 hours by 2020. This additional funding will enable further investment in the Early Learning and Childcare workforce, increasing the size of the workforce and equipping existing staff with new skills and infrastructure development to expand capacity in Early Learning and Childcare provision. This builds on the first phase of revenue and capital funding provided to local authorities in 2017/18.

Scotland's 32 local authorities will be required to agree to the joint priorities agreed between the Scottish Government and local government and in return will receive the full funding package. These include:

- £355million transfer from the National Health Service to Integration Authorities to ensure improved outcomes on health and social care;
- £66million to support additional investment in social care in recognition of a range of pressures local authorities are facing;
- The additional £88million to maintain the pupil teacher ratio nationally at 2016 levels and secure places for all probationers who require one under the teacher induction scheme;
- £24million to cover the 2017 teachers' pay offer for 2018-19 fully;
- £11million (revenue) in respect of the initial expansion Early Learning and Childcare as set out in the Children and Young People's Act 2014;
- £52.2million (revenue) and £150million (capital) to support the expansion in funded Early Learning and Childcare entitlement to 1,140 hours by 2020; and
- flexibility for local authorities to increase council tax levels by up to 3%, worth an estimated £77million.

The Local Government Budget will increase from £10,152million in 2016/17 to £10,291million in 2017/18 and £10,384million in 2018/19. This represents an increase of 0.9% from 2017/18 to 2018/19 and an increase of 2.3% from 2016/17 to 2018/19 – somewhat below the level of inflation! In 2018/19 the funding includes £6,609million general revenue grant, £2,636million non-domestic rates, £598million general capital grant, £263million specific resource grants and £278million specific capital grants.

Local authorities collect and retain in full all the non-domestic rate income collected within their area. To offer individual local authorities further protection, the Scottish Government guarantees each local authority their formula share of the combined general revenue grant and non-domestic rate income funding allocations. From April 2017 the Scottish Fiscal Commission has assumed responsibility for the independent forecasting of the non-domestic rate income used in the annual calculation of the distributable amount.

Local authorities will receive £123million of additional revenue in 2018/19 including £52million for discretionary housing payments, £38million for the Scottish Welfare Fund and £24million for temporary accommodation.

Local authorities will receive £150million of revenue resources outwith the local government finance settlement including £59million for the Attainment Scotland Fund, £53million for the Schools for the Future programme and £25million for Education Maintenance Allowance; and £211million of capital resources outwith the local government finance settlement including £122million for City Deals, £47million for Home Energy Efficiency Programmes for Scotland and £20million Regeneration Capital Grant Fund.

In addition to this core local government finance settlement, the Scottish Government provides local authorities with various other funding streams for individual key government priorities.

Councillor Alison Evison, the President of the Convention of Scottish Local Authorities, said that:

"The Convention of Scottish Local Authorities has been engaging with all political parties across the Parliament throughout this process and, as this is a draft budget, we will continue to defend essential services over the coming weeks."

Councillor Gail Macgregor, the resources spokesperson at the Convention of Scottish Local Authorities, told the 'Scottish Housing News' that:

"I would like to start by putting on record the engagement the Cabinet Secretary has had with us to meet the pressures that we have presented, particularly in relation to our shared priorities. That said, the reality is that this is not a flat cash revenue settlement for local government. It is a cut of £153million for essential local government services. In addition to this, while the Convention of Scottish Local Authorities is fully supportive of wider capital investment we are disappointed that there is a cut of £60million to local capital funding.

"There are serious financial challenges that lie ahead in several areas and there is no doubt that these will have an impact on the essential services that councils deliver. A particular issue is public sector pay if this is not fully funded.

"Whilst councils have the ability to raise council tax in their local area that is a decision they will take based on local needs and circumstances and is subject to a 3% cap which has been imposed on councils by the Scottish Government.

"The current Spending Review process makes it extremely difficult for councils to set medium and long term financial plans due to short term funding and annual settlements. (However) the discussions in relation to this year's settlement between the Convention of Scottish Local Authorities and Scottish Government have been both positive and constructive."

Scottish local authorities therefore do not share the Scottish Government's view that this is a generous funding settlement. There are clearly challenges ahead if Scotland's local authorities are to continue to deliver and protect good quality local government services.

Housing

As part of the 2018/19 budget announcement, the Scottish Government stated that it will:

- Increase investment in housing to £756million and work with partners to develop plans to increase the delivery of more affordable homes, the majority of which will be for social rent;
- Continue to support home ownership through the Help to Buy and Open Market Shared Equity schemes units;
- Continue funding for the Rural and Islands Housing Funds;
- Make the first £10million of the £50million Ending Homelessness Together fund available to drive change and improvement towards ending homelessness;
- Help tackle infrastructure blockages through a flexible grant and loan fund, and a new Rental Income Guarantee Scheme to support Build to Rent; and
- Continue to tackle fuel poverty and improve the energy efficiency of Scotland's homes through the Home Energy Efficiency Programmes for Scotland.

The Housing Budget will increase from £707million in 2016/17 to £739million in 2017/18 and £892million in 2018/19. This represents an increase of 21% from 2017/18 to 2018/19 and an increase of 26% from 2016/17 to 2018/19 – a significant real terms increase. In 2018/19 the budget for more homes will be £723million, for fuel poverty and energy efficiency will be £114million, for housing support will be £51million and for communities' analysis will be £4million.

Angela Constance, Cabinet secretary for communities, social security and equalities, told the 'Scottish Housing News' that the Budget shows the government's commitment to continuing its major expansion of affordable housing with a 28% increase in funding for housing supply and said that:

"We are ambitious for housing across all tenures through our More Homes Scotland approach, committing over £3billion to deliver 50,000 affordable homes over the five years of this Parliament. 70% of today's housing budget – in fact, £522.6million of it – continues to be capital funding for the affordable housing supply programme, chiefly for new social housing. This is a £147million increase on the equivalent figure for 2017/18.

"We're also supporting home ownership through our shared equity schemes and working with industry to increase supply across all tenures through growing the emerging Build-to-Rent sector in Scotland and targeting housing for investment from the new Building Scotland Fund. I believe that this approach is the most powerful way to deliver more housing for a fairer Scotland."

Annie Mauger, Executive Director of the Chartered Institute for Housing in Scotland, said that:

"As part of today's budget announcement, we strongly welcome the Scottish Government's commitment to invest £743million next year towards meeting its target of delivering 50,000 new affordable homes over the lifetime of the current Scottish Parliament. It was also encouraging to hear reconfirmation of the Scottish Government's commitment to create a £50million 'Ending Homelessness Together' fund and to target this funding in accordance with the recommendations of the homelessness and rough sleeping action group. Chartered Institute of Housing Scotland will continue to feed into the work of this important group to enable it to make a real difference.

"We would highlight the significant success of Housing First initiatives across Scotland and the United Kingdom, as demonstrated by a special report recently published by the Chartered Institute of Housing Scotland. Our hope is that the Scottish Government, guided by the homelessness and rough sleeping action group, will look seriously at further Housing First initiatives as a potential target for investment of the 'Ending Homelessness Together' fund over the forthcoming year.

"With the recent acquisition of significant new powers, we also look forward to the Scottish Government's future policy on social security beginning to take shape next year with the creation of a new Social Security Agency. The Chartered Institute of Housing Scotland has consistently highlighted the negative impact of certain aspects of welfare reform on the housing sector and we look forward to working with the Scottish Government to deliver a social security system that has dignity and respect at its heart."

Sarah Boyack, Head of public affairs at the Scottish Federation of Housing Associations, welcomed the increase in the More Homes Programme. She said that:

"The increase of £138.9million for the More Homes Programme is a very welcome announcement for the social housing sector. This funding – and the increase in the planning budget of £4.1million – should further assist our members in contributing towards the Scottish Government's 50,000 affordable homes target and help to house more people who are in desperate need of a home of their own.

"The investment will also secure jobs and training opportunities, key challenges identified by our members in our Brexit report earlier this year. Access to the National Manufacturing Institute for Scotland and the Building Scotland Fund will be important for Scotland's construction industry to secure new, innovative housing.

"While we welcome the government's commitment to invest £60million in a Low Carbon Innovation Fund to deliver innovative low carbon energy infrastructure solutions, we are disappointed to see that there is only an increase of £0.2million in funding in the Draft Budget for fuel poverty and energy efficiency. The recent Scottish Household Condition survey showed that there are more housing association households in fuel poverty compared to the national average and… to tackle this and invest in energy efficiency, our members will require further funding.

"The Draft Budget includes an additional £4.3million for social security, which is welcome funding for mitigating welfare reform policies such as the 'bedroom tax'. The Scottish Federation of Housing Associations looks forward to working with the Scottish Government on the creation of Scotland's new Social Security Agency to create a fairer system for all."

The Scottish Government is providing an increased budget for housing in 2018/19 and this has been generally welcomed by the sector. The Scottish Government's housing targets, especially its target to build 50,000 new affordable homes over five years, are ambitious. The main obstacles to their achievement are probably the capacity of the Scottish Government and housing sector to deliver rather than the adequacy of the funding.

Welfare

As part of the 2018/19 budget announcement, the Scottish Government stated that it will:

- Provide £50million of funding to allow local authorities to fully mitigate the effects of the United Kingdom Government's bedroom tax with additional funding for Discretionary Housing Payments for those affected by other United Kingdom Government welfare reforms including Local Housing Allowance rates and the total benefit cap;
- Sustain funding to the Scottish Welfare Fund to support people in crisis; and
- Take forward development of a Scottish social security system, following the passage of the Social Security (Scotland) Bill.

The Social Security Budget will increase from £74million in 2016/17 to £96million in 2017/18 and £100million in 2018/19. This represents an increase of 4.2% from 2017/18 to 2018/19 and an increase of 35% from 2016/17 to 2018/19. Taken over the two years this is a significant increase.

The Scottish Government clearly wishes to mitigate some of the effects of the United Kingdom Government's Welfare reforms that have reduced entitlements for many claimants. However, while the proportionate increase in the budget is significant it is small in relation to total expenditure on welfare in Scotland.

National Health Service

The baseline budget for frontline National Health Service Boards will increase by £179million (1.9%) in 2018/19 in what the Scottish Government describes as an important next step in the delivery of their commitment to increase the health resource budget by £2billion by the end of this Parliament. Together with an increase of £175million in investment in reform, total additional funding for frontline National Health Service Boards will amount to £354million (3.7%) that amounts to a real term increase of £208million (2.2%).

This additional funding is provided as part of the Scottish Government's twin approach of investment and reform, recognising the increasing demand and expectations placed on frontline services and being clear that the status quo is not an option. It is through this approach that the Scottish Government intends to deliver their triple aims of better care, better health and better value.

This investment will support the Scottish Government's commitment that more than half of frontline spending will be in community health services by the end of this Parliament, and will allow them in 2018/19 to continue their progress in seeing the shift towards this balance of spending. In 2018/19 it will also support a further shift in the share of the frontline National Health Service budget dedicated to mental health and to primary, community, and social care.

The £175million increase in investment in reform includes: £101million for the transformational change fund, £50million for primary care, £17million for mental health and Child and Adolescent Mental Health Services, £5million for trauma networks and £2million for cancer.

The budget for the National Health Service will increase from £13,023million in 2016/17 to £13,211million in 2017/18 and £13,584million in 2018/19 as shown below:

	£million	£million	£million	Variation
Resource				
NHS Territorial Boards	9,122	9,393	9,667	+6.0%
NHS Special Boards	1,100	1,169	1,184	+7.6%
Community Health				
General Medical Services	783	821	871	+11.2%
Pharmaceutical Services	184	185	185	+0.5%
General Dental Services	407	414	415	+2.0%
General Ophthalmic Services	100	102	107	+7.0%
Mental Health Services	40	53	70	+75.0%
Departmental Allocations				
Workforce & Nursing	171	176	193	+12.9%
Care, Support & Rights	116	117	112	- 3.4%
Other	366	273	329	- 10.1%
Total Resource	12,389	12,703	13,133	+6.0%
Capital	534	408	351	- 34.3%
Impairments	100	100	100	0.0%
Total Health	13.023	13,211	13,584	+4.3%

The total increase in expenditure over two years is 4.3% which in real terms is not a large increase. Within this there is an increase of 6.0% in revenue expenditure partly offset by a reduction of 34% in capital expenditure. There are also significant increases in certain budgets especially those for mental health services, workforce & nursing and general medical services.

While the Scottish Government has increased the National Health Service budget in Scotland in real terms by 2.2% in 2018/19, there are those in the sector who argue that this is insufficient to meet increasing needs caused by the increase in the elderly population, increased demand and the availability of increasing numbers of treatments. In 2017/18 the increase in cash terms was 1.4% which did not represent a real increase. The Scottish Government considers that this problem can be resolved by achieving greater efficiency through their reform programme.

Through their new Mental Health Strategy, the Scottish Government is shifting the balance of care towards mental health, increasing the level of investment in mental health services and improving support in the crucial period from birth to young adulthood. They are:

- Re-designing primary and community services to meet the increasing demand for services;
- Developing the skills and capacity of our workforce to support people with mental health problems, including delivery of an additional 800 workers over the next five years to ensure access to mental health professionals in A&E, GP practices, police custody units and prisons;
- Improving transitions for young people moving from Child and Adolescent Mental Health Services to adult mental health services, including potential flexibility for those aged 18-25 to continue their care and treatment with Child and Adolescent Mental Health Services; and
- Supporting the Rural Mental Health Forum to help people in rural areas maintain good mental health.

The Scottish Government's Future Budgetary Process

The Scottish Government recently assumed new fiscal powers including the power to vary income tax that are expected to lead to a massive cultural change in budget processes. This was the conclusion of a Review Group of 'independent experts' that published its report in June 2017. The report put forward four thematic objectives:

- Wider influence in shaping the budget.
- Better transparency and public understanding.
- Greater capacity to respond to challenges.
- Better benchmarking against properly measured outputs and outcomes.

The report recommended a more strategic approach to the budget, including the publication of economic data in an annually updated medium-term financial strategy in the spring and a fiscal framework out-turn report each autumn. This would lead to a new approach with committees taking account of the budget implications of policies and budget planning made subject to year-round parliamentary and public scrutiny rather than being examined only during the weeks between the budget statement and Bill.

The Scottish Government has responded with a new Budget process that will be adopted as of the 2019/20 Draft Budget. In line with the Budget Process Review Group recommendations, it will offer Parliament a year-round approach to Budget scrutiny within the framework as set out in the Review Group report including the following:

- Full Year Approach: a broader process in which committees have the flexibility to incorporate budget scrutiny including public engagement into their work prior to the publication of firm and detailed spending proposals.
- Continuous cycle: scrutiny should be continuous with an emphasis on developing an understanding of the impact of budgetary decisions over several years including budgetary trends.

- Output / outcome focused: scrutiny should also be evaluative with an emphasis on what budgets have achieved and aim to achieve over the long term, including scrutiny of equalities outcomes.
- Fiscal Responsibility: scrutiny should have a long-term outlook and focus more on prioritisation, addressing fiscal constraints and the impact of increasing demand for public services.
- Interdependent: scrutiny should focus more on the interdependent nature of many of the policies which the budget is seeking to deliver.

It is anticipated that the budget process will become just one part of an expanded financial discussion that will include the wider fiscal framework, a medium-term financial strategy, a fiscal framework out-tern report and, in a spending review year, the statement of objectives or framework documents.

One of the 'independent experts' was Don Peebles, the Head of the Chartered Institute of Public Finance & Accountancy in Scotland. He told 'Public Finance' that:

"The move from a single-year focus to thinking over the longer-term – that's a massive step.

"The wider cultural change is going to come from two places. One is greater public involvement in the process, beyond the normal stakeholders and lobby groups. The other is the government, with the assistance of Parliament, which is going to mean a longer-term outlook on finances and well-being. At the moment, the government produces the budget to a specific timetable, and Parliament undertakes budget scrutiny at a fixed point in time. For the public, there is little interaction and dare I say it – little understanding of the process. That interaction is going to change because the tax setting process for income tax is going to be predominantly here in Edinburgh… The relationship that people have with Westminster, which is mature, is going to change into a more mature one with Holyrood.

"I'd like to think it's more likely to mean greater awareness and understanding of what the intended outcomes are from the government's perspective, what resources there actually are, and what has to be done by the respective parties to meet those outcomes.

"What we mean by a whole-year approach is a greater awareness on the part of committees that finance and financial consequences are ingrained into what they are considering. Finance is a part of, not apart from, normal policy issues.

"The fact that the United Kingdom government has revised its timetable to bring the budget from the spring into the autumn means an additional complication.

"That was what we thought about in setting out a minimum timescale for publication of the (Scottish) budget after the United Kingdom budget, which means not only that there has to be a budget produced within a few weeks but also appropriate time for scrutiny. In recent years, especially in spending review years, the time for scrutiny has sometimes been compressed to an unacceptable level."

Conclusions

This draft Scottish Budget is significant for several reasons:

- It is part of an evolving budgetary process that has seen the date of the budget shifted this year and that will see the introduction of a new annual budgetary process for 2019/20.
- It is the first time that the Scottish Government has used its tax varying powers and it has used them to introduce a more progressive system of direct taxation and to increase its revenue.

- The use of tax varying powers has created a direct link for the first time between the tax that people pay and the expenditure of the Scottish Government.
- While the Scottish Government has 'headlined' its intention to protect National Health Service budgets, in practice the increased provision for the National Health Service may prove to be modest when compared with increased needs and service pressures.
- Increases in funding for Local Government are below the level of inflation giving rise to concern that local authorities may not be able to continue to deliver and protect good quality local government services.
- Increases in funding for housing are significant.
- Increases in funding for welfare are significant in relation to existing budgets but not in relation to the total amount claimed in Scotland.

Details are available on the Scottish Government's website at: https://beta.gov.scot/budget/

Adrian Waite
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About 'AWICS'

'AWICS' is a management consultancy and training company. We specialise in providing support in finance and management to clients in local government and housing in England, Scotland and Wales. We are well known for our ability to analyse and explain complex financial and management issues clearly.

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