

# Draft Scottish Budget 2018/19

## Introduction

The Scottish Government has published its draft budget for 2018-19. This follows the UK Budget ([Briefing 91](#)) which determines half the Scottish Budget through the block grant. The other half is determined by the Scottish Parliament using its devolved fiscal powers ([Briefing 90](#)). The Scottish Government has also published its pay policy.

## Taxation

With the new devolved powers the budget now covers how the government proposes to raise revenue as well as spending it.

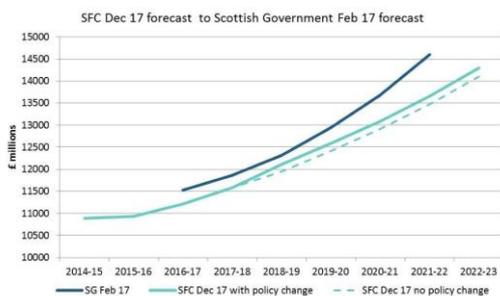
They have announced new income tax bands which involve very modest increases for higher earners (1p in the pound) and the new starter rate means effectively no increase for those earning less than £33k. There will be implications for tax credits and pension tax relief.

GROSS INCOME (£)	INCOME TAX RATE (%)
11,850* - 13,850	19
13,851 - 24,000	20
24,001 - 44,273	21
44,274 - 150,000**	41
ABOVE 150,000**	46

\* ASSUMES INDIVIDUALS ARE IN RECEIPT OF THE STANDARD UK PERSONAL ALLOWANCE  
 \*\* THOSE EARNING MORE THAN £100,000 WILL SEE THEIR PERSONAL ALLOWANCE REDUCED BY £1 FOR EVERY £2 EARNED OVER £100,000

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The budget tax measures should raise an additional £164m, significantly less than the best options in the discussion paper. This is because the Scottish Fiscal Commission forecasts that the Scottish economy will perform significantly worse than the UK as a whole.



## Local Government

The big loser from the budget is yet again local government. The Scottish Government will receive £188m cash increase in its budget from Westminster, yet councils in Scotland get nothing. Despite the spin, even a 3% increase in the Council Tax does not equal a real terms revenue increase. In real terms it is a £135m cut, probably much higher because 'Real terms' assumes only 1.4% for inflation. COSLA estimates that councils need an additional £545m, just to stand still. Small businesses get around £100m extra relief on business rates, despite the limited evidence that it has any impact on economic growth. The only good news is more money for new housing.

## KEY POINTS:

- ScotGov has set out its draft budget and pay policy.
- Most budgets are protected in real terms albeit with optimistic inflation assumptions.
- Councils yet again face real terms cuts in revenue funding.
- An improved pay policy but still less than the cost of living and not fully funded.

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## Health

There will be a real terms increase of £200m for the NHS, although this includes social care funding and the primary care funding commitments. Keeping health inflation to 1.4% will be particularly challenging. Funding for each health board is set out on p58 of the draft budget.

An additional £66m to support the delivery of the Living Wage for adult social care workers, but this sum includes an increase in payments for free personal and nursing care and implementing the Carers Act. The phrase 'support' indicates that the living wage is not being fully funded.

## Education

There is additional cash (£243m) for implementing the early year's expansion, both in terms of staff and buildings. This is in effect building capacity in anticipation of the expansion next year.

£179m will be ring fenced for schools, including the £120m directly to schools through the pupil equity fund. £88m ring fenced for pupil teacher ratios and £24m for teachers pay for 2017.

There is a £76.4m real terms increase in the Funding Council budget for higher and further education. £5.7m extra for skills and training.

## Police and Fire

Police, fire and community justice budgets are protected in real terms. The benefits of the UK govt concession on VAT will be passed on to fire and police, worth around £35m.

## Environment

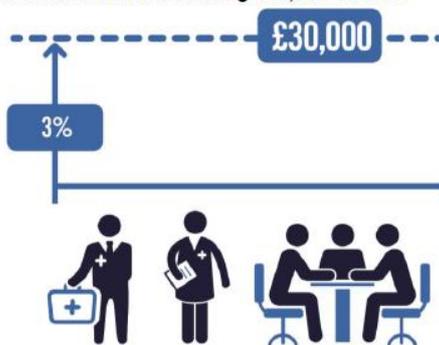
£137m for energy efficiency schemes, which although less than needed is a move back in the right direction after previous cuts. Several pots of money to support climate change measures including electric cars.

## Pay Policy

The Scottish Government's pay policy only applies to directly employed staff and NDPBs. However, it is indicative of its expectations in other budget allocations, particularly NHS and local govt. The new pay policy is:

**Guaranteed minimum 3 per cent pay increase for public sector workers earning £30,000 or less**

- lift the pay cap by providing a **guaranteed minimum increase of 3 per cent** pay uplift for public sector workers who earn **£30,000 or less**
- set a limit of **up to 2 per cent** on the increase in **paybill** for those earning **above £30,000 and below £80,000**
- limit the pay increase for those earning **£80,000 or more** to **£1,600**.



The OBR is forecasting inflation next year at CPI (excludes housing) 2.4% and RPI at 3.3%. The government will therefore argue that there is a real terms increase for those below £30,000. This is true if you don't have housing costs! For those above £30,000 it is another real terms cut in pay.

A pay policy is only an aspiration if it is not funded. The local govt allocation clearly doesn't include anything for pay. The 3% maximum increase in the Council Tax only pays for a 1% pay increase. ScotGov will be hoping for Barnett consequentials from the promised Treasury funding of NHS pay.

## Conclusion

The draft budget is bad news for councils, roughly steady state for everyone else. A better pay policy, but still below the real cost of living and not fully funded given inflation assumptions at around half the OBR forecasts.

## Further information

### Draft Budget 2018-19

<http://www.gov.scot/Publications/2017/12/8959/downloads>

### Pay policy

<http://www.gov.scot/Publications/2017/12/3335>

### Portfolio plans to Level3

<https://beta.gov.scot/publications/draft-budget-2018-19-level-3-budgets-and-plans/>

### UK Budget Briefing

<http://www.unison-scotland.org/2017/11/22/uk-budget-2017>

### Briefing – fair funding for local govt

<http://www.unison-scotland.org/2017/11/30/fair-funding-for-local-government/>

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