

An Leas-phrìomh Mhinistear agus Ath-shlànachadh
Cobhid
Deputy First Minister and Cabinet Secretary for Covid
Recovery
John Swinney MSP



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Kenneth Gibson MSP
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Finance and Public Administration Committee
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07 November 2022

Dear Kenneth,

Emergency Budget Review

I am writing to update the Committee regarding publication of the Scottish Government's Emergency Budget Review (EBR) on 2 November. This follows my letter and parliamentary statement of 7 September 2022 where I set out the first round of savings measures we were taking as part of our review of expenditure this financial year, in order to respond to the unprecedented pressures the Scottish Budget is facing. In that statement I made it clear that further savings would be required to help balance the budget.

The EBR sets out the actions that the Scottish Government must take to provide much needed support for our citizens, public services and businesses, while also supporting the path to a balanced budget in the face of a set of incredibly challenging financial pressures. Spiralling inflation means that the Scottish Government's budget is worth £1.7 billion less than when it was introduced to Parliament in December 2021, and we are facing entirely legitimate demands to make significantly enhanced pay offers to essential public sector workforces. As I have said before, in all of my experience, there has never been a time of greater pressure on the public finances.

The volatility in Westminster has made our task all the more difficult. The UK Government's u-turns in tax policy over the past two months have created particular challenges – the Scottish Government was initially informed that we would receive an additional £660 million through the Block Grant Adjustment; after the reversals in UK Government policy we now expect that instead our funding will be reduced by £230 million over the period of the UK spending review.

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The EBR sets out the key policy measures that we are taking forward in order to tackle the cost of living crisis. This includes securing enhanced pay awards for public sector workers while recognising a number of pay negotiations remain in progress, support for individuals and households across a range of measures and support for businesses. It also details how our approach to regulation can play a key part in achieving our economic, social and environmental goals while reflecting current challenges for business. Detail on the policy measures can be found in Section 5 of the EBR¹.

In order to fund these vital policy measures, the Scottish Government has had to take tough decisions around our planned spending. The EBR details the Scottish Government's plans to generate a further £615 million in savings this financial year, creating an overall total of £1.175 billion of savings when combined with the package that I set out to Parliament on 7 September. Information on the savings from both the EBR and the September package can be found in Annexes A and B of the EBR². These annexes provide an outline of the savings from each portfolio by budget line.

Alongside the EBR, and to demonstrate our commitment to transparency and using the best evidence available to inform our decisions, the Scottish Government has published the following supplementary documents:

- **Equalities evidence summary:** this provides an analysis of the equality and fairness impacts of the most substantive in-year adjustments detailed in the EBR³.
- ***The Cost of Living Crisis in Scotland: An Analytical Report:*** this document draws together analysis from a wide range of sources to provide an overview of emerging evidence on the cost crisis⁴.
- **Expert panel commentary (interim):** this provides an independent commentary on the current fiscal context and the implications of UK Government fiscal policy for the Scottish Budget⁵. It set out the panel's thinking on how the Scottish Government could respond to the challenges it is facing through the tax system, alongside wider implications for public services and the economy. The members of the panel are Professor Sir Anton Muscatelli, Professor Frances Ruane and Doctor Mike Brewer. The work of the panel is ongoing and they will in due course provide advice on the implications of the UK Government autumn statement.

In addition to the above, the Committee may recall that during my 4 October appearance I announced that I would publish a paper alongside the EBR to encourage wider discussion on the important tax and public expenditure choices that were before us. Given the numerous changes to the UK Government's tax policy and date of their upcoming fiscal statement (in which reports suggest there will be further tax changes), I plan to wait until the Autumn Statement is published before deciding on next steps.

¹ [Emergency Budget Review: 2022 to 2023 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/emergency-budget-review-2022-to-2023/pages/introduction/)

² [Emergency Budget Review: 2022 to 2023 - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/emergency-budget-review-2022-to-2023/pages/introduction/)

³ [Emergency Budget Review: equality and fairness - evidence summary - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/emergency-budget-review-equality-and-fairness-evidence-summary/pages/introduction/)

⁴ [The Cost of Living Crisis in Scotland: analytical report - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/the-cost-of-living-crisis-in-scotland-analytical-report/pages/introduction/)

⁵ [Expert panel interim commentary on the implications of the UK Government fiscal statements for the Scottish Government Budget - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/expert-panel-interim-commentary-on-the-implications-of-the-uk-government-fiscal-statements-for-the-scottish-government-budget/pages/introduction/)

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I continue to call on the Prime Minister and the Chancellor to use the full extent of their reserved powers and levers to provide targeted support for low income households, bring clarity on what support will be available after the early end to the Energy Price Guarantee next March, and confirm that social security benefits will be updated in line with inflation in April.

Finally, I would also like to take this opportunity to welcome the publication of the Committee's pre-budget scrutiny report last week. I share the concerns the Committee raises around the challenges presented by the fiscal outlook.

We now await the OBR forecasts and the Autumn Statement on 17 November, to which we will respond as we prepare the Scottish Budget 2023-24, and I look forward to further engagement with the Committee.

JOHN SWINNEY

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