

Finance and Public Administration Committee  
Tuesday 12 November 2024  
31<sup>st</sup> Meeting, 2024 (Session 6)

## Note by the Clerk on The Budget (Scotland) Act 2024 Amendment Regulations 2024 (SSI 2024/draft) – Autumn Budget Revision

### Overview

1. At this meeting, the Committee will take evidence from the Minister for Public Finance and Scottish Government officials on The Budget (Scotland) Act 2024 Amendment Regulations 2024 [draft] before debating a motion in the name of the Minister inviting the Committee to recommend approval of the instrument.
2. This is a draft Scottish Statutory Instrument (SSI), which requires approval by resolution of the Parliament before it can become law. More information about the instrument is summarised below:

**Title of instrument:** [The Budget \(Scotland\) Act 2024 Amendment Regulations 2024 \[draft\]](#)

**Laid under:** [The Budget \(Scotland\) Act 2024](#)

**Laid on:** 3 October 2024

**Procedure:** Affirmative

**Lead committee to report by:** 27 November 2024

3. Following evidence-taking on the SSI at agenda item 1, the Committee will be invited at agenda item 2 to debate and vote on motion S6M-14800, lodged in the name of the Minister for Public Finance—

That the Finance and Public Administration Committee recommends that the Budget (Scotland) Act 2024 Amendment Regulations 2024 [draft] be approved.

### Procedure

4. Under the affirmative procedure, an instrument must be laid in draft and cannot be made (or come into force) unless it is approved by resolution of the Parliament. Further detail about the affirmative procedure is included at **Annexe A**.

## Delegated Powers and Law Reform Committee consideration

5. The DPLR Committee considered the instrument on [29 October 2024](#) and reported on it in its [61<sup>st</sup> Report, 2024](#). The DPLR Committee made no recommendations in relation to the instrument.

## Purpose of the instrument

6. The purpose of the draft Regulations is to make in-year changes to The Budget (Scotland) Act 2024, which authorised the Scottish Government's spending plans for the current financial year.
7. The [Autumn Budget Revision 2024-25 supporting document](#), laid alongside the Instrument, explains the changes proposed by the instrument. The Scottish Government has also provided a more up to date and detailed *Guide to the Autumn Budget Revision*, which is included at **Annexe B**. Please note, as part of the Guide, an excel spreadsheet of comparator information has also been provided which has been issued separately to members.
8. Following the UK Autumn Budget on Wednesday 30 October, the Scottish Government provided an update on the impact of this on the Scottish Government Budget for 2024-25. This update is included at **Annexe C**.
9. The changes proposed in the Autumn Budget Revision (ABR) result in an increase in the approved budget of £1,126.6 million, from £59,322.5 million to £60,449.0 million. The Financial Scrutiny Unit in SPICe has produced a briefing which sets out analysis of the changes in the ABR and those resulting from the UK Government Budget. This briefing is provided at **Annexe D**.
10. The ABR supporting document states that the changes to the Scottish Government's spending plans are broken down into four main areas as follows:
  - Funding changes to reflect deployment of available resources to portfolios (total net increase to the budget of £1,066.2 million);
  - Technical adjustments (net increase to the budget of £42.2 million);
  - Whitehall transfers and HM Treasury allocations to the Scottish Government (£18.1 million); and
  - The transfer of resources between Scottish Government portfolios.

## Next steps

11. Following the evidence session with the Minister for Public Finance and the debate and vote on the motion to approve the instrument, the Committee will report to the Parliament, setting out its recommendation on the Instrument by the deadline of 27 November 2024.

Clerks to the Committee  
November 2024

## **Procedure for Committee consideration of affirmative instruments**

1. Under the affirmative procedure, an instrument must be laid in draft and cannot be made (or come into force) unless it is approved by resolution of the Parliament.
2. Once laid, the instrument is referred to:
  - the Delegated Powers and Law Reform (DPLR) Committee, for scrutiny on various technical grounds, and
  - a lead committee, whose remit includes the subject-matter of the instrument, for scrutiny on policy grounds.
3. The lead committee, taking account of any recommendations made by the DPLR Committee (or any other committee), must report within 40 days of the instrument being laid.
4. The normal practice is to have two agenda items when an affirmative instrument is considered by the lead committee:
  - an evidence session with the Minister and officials, followed by
  - a formal debate on a motion, lodged by the Minister, inviting the lead committee to recommend approval of the instrument.
5. Only MSPs may participate in the debate, which may not last for more than 90 minutes. If there is a division on the motion, only committee members may vote. If the motion is agreed to, it is for the Chamber to decide, at a later date, whether to approve the instrument.

# Scottish Government Guide to the Autumn Budget Revision

Finance Update – 11 October 2024

For the Finance and Public Administration Committee

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A. Guide to the Autumn Budget Revision

1. The budget process for 2024-25 commenced with the publication of the *Scottish Budget* and annual Budget Bill which provided details of the Scottish Government's spending plans. These plans (as amended at Stages 2 and 3 of the Budget Bill) were approved by the Scottish Parliament on 27 February 2024 and received Royal Assent on 28 March 2024.
2. Once the Budget Act has been approved by the Scottish Parliament, there are usually two opportunities to amend the budget as the year progresses - the Autumn Budget Revision and a Spring Budget Revision. The Autumn Budget Revision provides the first opportunity to amend the budget figures.
3. The Autumn Budget Revision was finalised on 24 September 2024 ahead of the draft SSI being laid in parliament on 3 October 2024. This guide was provided to the Finance and Public Administration Committee on 25 October 2024 ahead of the scheduled scrutiny session on 12 November 2024.

A.1 Summary of the Spring Budget Revision

4. The Autumn Budget Revision is routine parliamentary business that proposes amendments to better align the Government's budget with its planned spending profile.
5. The changes proposed in the Autumn Budget Revision result in an increase in the approved budget of £1,126.6 million from £59,322.5 million to £60,449.0 million.
6. The changes to the Budget are broken down in to four main areas:
  - A.2 - Funding changes to reflect deployment of available resources to portfolios (total net increase to the budget of £1,066.2 million);
  - A.4 - Technical adjustments (net increase to the budget of £42.2 million);
  - A.3 - Whitehall transfers and HM Treasury allocations to the Scottish Government (£18.1 million); and
  - A.5 - The transfer of resources between Scottish Government portfolios.
7. The main changes included under each heading are categorised in table 1.2 in the Budget Revision document and summarised below.

Summary of Changes by Type FPA/S6/24/31/1 Scottish Government Portfolios	Resources other than Accruing Resources as shown in Budget Act	Funding Changes	Technical Changes	Net Whitehall transfers	Net Transfers within Scottish Block	Revised Budget
	£m	£m	£m	£m	£m	£m
Health and Social Care	19,558.6	1,058.0	0.0	(0.0)	(909.5)	19,707.0
Social Justice	7,564.0	(160.0)	0.1	15.0	(97.7)	7,321.4
Net Zero and Energy	831.4	(19.6)	40.3	0.0	(101.1)	751.0
Education and Skills	4,859.7	(6.9)	(0.1)	0.2	(315.1)	4,537.8
Justice and Home Affairs	3,580.5	35.1	0.0	0.0	(19.5)	3,596.2
Transport	3,703.7	(26.5)	0.0	1.5	(21.9)	3,656.9
Rural Affairs, Land Reform and Islands	1,109.8	5.3	0.0	0.0	(15.1)	1,100.0
Constitution, External Affairs & Culture	280.8	0.0	0.0	0.0	0.3	281.2
Finance and Local Government	12,439.3	155.9	0.0	0.0	1,394.3	13,989.5
Deputy First Minister, Economy and Gaelic	1,331.0	20.2	0.0	1.3	62.4	1,414.9
Crown Office and Procurator Fiscal Service	222.9	1.3	1.2	0.0	0.0	225.4
<b>Scottish Government</b>	<b>55,481.8</b>	<b>1,062.8</b>	<b>41.4</b>	<b>18.1</b>	<b>(22.9)</b>	<b>56,581.2</b>
Scottish Housing Regulator	5.6	0.0	0.0	0.0	0.0	5.6
National Records of Scotland	34.5	0.0	0.0	0.0	0.6	35.1
Office of the Scottish Charity Regulator	3.6	0.0	0.0	0.0	0.0	3.6
Scottish Courts and Tribunals Service	165.9	3.5	0.0	0.0	20.9	190.3
Scottish Fiscal Commission	2.7	0.0	0.0	0.0	0.0	2.7
Revenue Scotland	11.0	0.0	0.0	0.0	0.0	11.0
Registers of Scotland	10.0	0.0	0.0	0.0	0.0	10.0
Environmental Standards Scotland	3.0	(0.1)	0.0	0.0	0.0	2.9
Food Standards Scotland	22.9	0.0	0.0	0.0	0.5	23.4
Consumer Scotland	2.4	0.0	0.7	0.0	1.0	4.1
Scottish Teachers' and NHS Pension Schemes	3,422.4	0.0	0.0	0.0	0.0	3,422.4
<b>Scottish Administration</b>	<b>59,165.9</b>	<b>1,066.2</b>	<b>42.2</b>	<b>18.1</b>	<b>(0.0)</b>	<b>60,292.3</b>
<b>Direct-Funded Bodies</b>						
Scottish Parliamentary Corporate Body	143.1	0.0	0.0	0.0	0.0	143.1
Audit Scotland	13.5	0.0	0.1	0.0	0.0	13.6
<b>Total Scottish Budget</b>	<b>59,322.5</b>	<b>1,066.2</b>	<b>42.2</b>	<b>18.1</b>	<b>(0.0)</b>	<b>60,449.0</b>

## A.2 Funding Changes

8. Funding changes provide additional budget spending power to portfolios and programmes, and also some reductions where funding has been returned to the centre for redeployment elsewhere. Table 1.2 provides the funding changes on a net basis by portfolio of £1,066.2 million, however the gross impact is shown below.

<b>Scottish Government Portfolios</b>	<b>Funding Additions</b>	<b>Funding Reductions</b>	<b>Net Funding Changes</b>
Health and Social Care	1,058.0	0.0	1,058.0
Social Justice	0.0	(160.0)	(160.0)
Net Zero and Energy	0.0	(19.6)	(19.6)
Education and Skills	0.0	(6.9)	(6.9)
Justice and Home Affairs	35.1	0.0	35.1
Transport	0.0	(26.5)	(26.5)
Rural Affairs, Land Reform and Islands	5.4	(0.1)	5.3
Constitution, External Affairs & Culture	0.0	0.0	0.0
Finance and Local Government	155.9	0.0	155.9
Deputy First Minister, Economy and Gaelic	20.2	0.0	20.2
Crown Office and Procurator Fiscal	1.3	0.0	1.3
<b>Scottish Government</b>	<b>1,275.9</b>	<b>(213.1)</b>	<b>1,062.8</b>
Scottish Housing Regulator	0.0	0.0	0.0
National Records of Scotland	0.0	0.0	0.0
Office of the Scottish Charity Regulator	0.0	0.0	0.0
Scottish Courts and Tribunals Service	4.0	(0.5)	3.5
Scottish Fiscal Commission	0.0	0.0	0.0
Revenue Scotland	0.0	0.0	0.0
Registers of Scotland	0.0	0.0	0.0
Environmental Standards Scotland	0.0	(0.1)	(0.1)
Food Standards Scotland	0.0	0.0	0.0
Consumer Scotland	0.0	0.0	0.0
Scottish Teachers' and NHS Pension Schemes	0.0	0.0	0.0
<b>Total Scottish Administration</b>	<b>1,279.9</b>	<b>(213.7)</b>	<b>1,066.2</b>
<b>Direct Funded Bodies</b>			
Scottish Parliament Corporate Body	0.0	0.0	0.0
Audit Scotland	0.0	0.0	0.0
<b>Total Scottish Budget</b>	<b>1,279.9</b>	<b>(213.7)</b>	<b>1,066.2</b>

A.2.1 Gross Funding Changes

9. The largest allocation of funding deployed in the budget revision is £1,058 million provided to the Health and Social Care portfolio. This funding is split between £864 million to support Health services resource and £194 million of consequential received in relation to the changes to employer pension contribution rates. The majority of this funding is being provided to support the financial pressures embedded within the Health service, including on pay and to reduce the level of savings required, as was made clear in the Cabinet Secretary's fiscal statement on 3 September.
10. The Finance and Local Government portfolio has funding additions totalling £155.9 million in the budget revision. All of this funding is being provided to Local Government. Of this total, £86.2 million relates to funding for additional costs of enhanced employer pension contributions for Teachers, £62.7 million relates to additional general revenue grant funding and £4 million for the Island Cost of Living Fund both of which the Cabinet Secretary confirmed to CoSLA and council leaders on the 15th of April. A further £3 million is being provided to support the council tax freeze following engagement with CoSLA (on top of the £144 million provided at Budget Bill).
11. £35 million has been provided to the Justice and Home affairs portfolio to fund additional costs of Police and Fire Pensions. This primarily relates to the impact of the costs of enhanced employer pension contribution rates. Scottish Courts and Tribunals Service are receiving £4 million of funding for the same purpose.
12. £20.2 million of capital funding is being provided to Ferguson Marine within the Deputy First Minister Economy and Gaelic portfolio to fund the costs of the building of vessels 801 and 802. This additional budget requirement is included within the costings which were outlined in the letter sent to the NZET committee on 26 February 2024
13. Additional gross funding changes include:
  - £5.4 million of Crown Estate income has been passed directly to Marine for onward distribution to Local Government to reflect the Coastal Communities commitments.
  - £1.3 million to Crown Office and Procurator Fiscal Service for additional cost of employer pension contributions.



**A.2.2 Reductions to Portfolios**

14. The Cabinet Secretary for Finance and Local Government presented her fiscal statement to Parliament on 3 September 2024. The fiscal statement outlined the savings measures required to achieve a balanced budget in 2024-25.
15. An accompanying letter was sent to the committee which included an annex quantifying the savings measures. A reconciliation is included in section C of the Guide of which of the savings measures outlined in the fiscal statement are included within the ABR.
16. As per table A.2, £213.7 million of funding reductions are included in the ABR. While significant savings within the Health and Social Care portfolio were set out in the fiscal statement these amounts are not reflected as a reduction in the portfolio budget. Rather these savings are being repurposed within the portfolio to meet expected pressures. Further details are included in the reconciliation.
17. The largest reduction in funding within the budget revision is the £160 million reduction in funding for Social Security within the Social Justice portfolio. £148 million of this reduction reflects the estimated change to Scottish Government funding following the UK Government's own decision to limit eligibility for Winter Fuel Payment and the Scottish Government decision to replicate this for Pension Age Winter Heating Payments (PAWHP).
18. Ordinarily Social Security benefit expenditure budgets are not adjusted at the Autumn Budget Revision, however it has been processed as part of ABR given the fundamental change to eligibility for the benefit. The remaining budget is an interim figure pending receipt of the Scottish Fiscal Commission forecast for PAWHP using the new qualification criteria. Funding will be updated at the Spring Budget Revision to reflect the new forecast.
19. The balance of £12 million relates to Social Security programme savings outlined in the Fiscal Statement for reduced costs of workforce and delivery of the PAWHP.
20. Within the Transport portfolio, £26.5 million of Financial Transaction income from the Low Carbon Transport Scheme is included as a saving. Savings as a result of not making permanent the peak fares pilot or progressing the concessionary fares extension to asylum seekers pilot are not included within the budget revision as funding would require to be provided to the portfolio or additional savings taken forward to continue with the schemes.
21. Within the Net Zero and Energy portfolio £19.6 million of savings outlined in the fiscal statement have been included, the largest of which is the £16 million of additional income in respect of Scottish Water Interest on Voted Loan. The additional £3.6 million relates to reduced forecast on the Zero Waste programme, £1 million of savings from Nature Restoration and £0.1 million relating to Air Quality.
22. Within the Education budget £6.9 million of savings have been included. The largest of which is the £6 million forecast reduction in expected demand for Higher Education Student Support.
23. Further funding reductions include:
  - £0.5 million of capital funding returned by Scottish Courts and Tribunal Services. This relates to work on the Dundee Justice Hub that was accelerated during 2023-24

- £0.1 million of financial transactions income in Rural Affairs, Land Reform and Islands for financial transactions relating to the panda enclosure.
- £0.1 million of savings within Environmental Standard Scotland as noted in the fiscal statement.

### A.3 Whitehall Transfers

24. There are six specific Whitehall transfers and allocations from HM Treasury recognised in the Autumn Budget Revision. The net positive impact on the Scottish Budget is £18.1 million.
25. The largest of the Whitehall transfers is the £7.7 million being provided to the Ukrainian Resettlement budget in the Social Justice portfolio for Ending Homelessness Funding.
26. A further £7.3 million is being provided to the Social Justice portfolio for the Debt Advice Levy. This will be used to fund essential debt advice services provided by a range of organisations across Scotland.
27. The Transport portfolio is receiving a Whitehall transfer of £1.5 million in relation to A75 Union Connectivity Funding, while Digital Strategy in the Deputy First Minister, Economy and Gaelic portfolio will receive £1.3 million of UK Cyber Security funding for a number of cyber projects
28. The Education and Skills portfolio will receive £250k of National Cyber Security Funding in respect of the CyberFirst Programme, while the Health and Social Care portfolio will contribute £20k for the Sport Satellite Programme.

### A.4 Technical Adjustments

29. The Autumn Budget Revision records net technical changes of £42.2 million. The single largest change is the £40.3 million adjustment for Scottish Water voted loans. This adjustment is to revise the split of loans issued and repayments between those which score on the SG basis and those which don't. There is no impact on the Scottish Government's discretionary spending as a result of this change as this budget was already included on an HM Treasury basis.
30. National Records of Scotland are swapping £0.8 million of depreciation previously identified as IFRS16 depreciation to standard deprecation which is a neutral transaction

### IFRS16 adjustments:

31. The balance of changes relate to the ongoing implementation of International Financial Reporting Standard 16 ('IFRS16') which has resulted in a significant alteration to the accounting treatment for leases, with budgets now adjusted to align with that treatment. We are currently in the final year of a three year transition period with budget initially applied at Budget Bill to reflect the changes but subject to in-year amendment.
32. The IFRS16 changes provide additional capital and non-cash budget cover to be applied for existing and new assets acquired under lease arrangements, to allow for their reclassification and subsequent depreciation. There are also changes to the resource budget position to adjust for the elements of the rental costs that are now capitalised.

33. Ring-fenced budget cover is being provided by HM Treasury to support this change in accounting treatment and the Scottish Government's net discretionary funding will not be impacted by these changes subject to agreement with HM Treasury. Final IFRS16 budget cover requirements will be provided to Treasury ahead of the UK Supplementary Estimates exercise. The net total changes as a result of IFRS 16 are £1.2 million.

<b>Scottish Government Portfolios</b>	<b>Whitehall</b>	<b>IFRS16</b>	<b>Other Technical</b>	<b>Net Funding Changes</b>
Health and Social Care	(0.0)	0.0	0.0	0.0
Social Justice	15.0	0.1	0.0	0.0
Net Zero and Energy	0.0	0.0	40.3	40.3
Education and Skills	0.2	(0.1)	0.0	0.0
Justice and Home Affairs	0.0	0.0	0.0	0.0
Transport	1.5	0.0	0.0	0.0
Rural Affairs, Land Reform and Islands	0.0	0.0	0.0	0.0
Constitution, External Affairs & Culture	0.0	0.0	0.0	0.0
Finance and Local Government	0.0	0.0	0.0	0.0
Deputy First Minister, Economy and Gaelic	1.3	0.0	0.0	0.0
Crown Office and Procurator Fiscal	0.0	1.2	0.0	0.0
<b>Scottish Government</b>	<b>18.1</b>	<b>1.1</b>	<b>40.3</b>	<b>59.5</b>
Scottish Housing Regulator	0.0	0.0	0.0	0.0
National Records of Scotland	0.0	(0.8)	0.8	0.0
Office of the Scottish Charity Regulator	0.0	0.0	0.0	0.0
Scottish Courts and Tribunals Service	0.0	0.0	0.0	0.0
Scottish Fiscal Commission	0.0	0.0	0.0	0.0
Revenue Scotland	0.0	0.0	0.0	0.0
Registers of Scotland	0.0	0.0	0.0	0.0
Environmental Standards Scotland	0.0	0.0	0.0	0.0
Food Standards Scotland	0.0	0.0	0.0	0.0
Consumer Scotland	0.0	0.7	0.0	0.7
Scottish Teachers' and NHS Pension Schemes	0.0	0.0	0.0	0.0
<b>Total Scottish Administration</b>	<b>18.1</b>	<b>1.1</b>	<b>41.1</b>	<b>60.2</b>
<b>Direct Funded Bodies</b>				
Scottish Parliament Corporate Body	0.0	0.0	0.0	0.0
Audit Scotland	0.0	0.1	0.0	0.1
<b>Total Scottish Budget</b>	<b>18.1</b>	<b>1.2</b>	<b>41.1</b>	<b>60.3</b>

#### A.5 Internal Transfers

34. There are a number of internal transfers within the Scottish Block as part of the Spring Budget Revision process. Transfers between and within portfolios are 'zero-sum'.

35. The significant budget internal transfers between portfolios include:

- transfer from Health & Social Care to Local Government within the Finance & Local Government portfolio to support the investment in integration of Health & Social Care (£257.2 million);
- transfer from Education & Skills to Local Government to support the recurring costs of the previous financial year's Teachers' Pay Awards (£242 million);
- transfer from Health & Social Care to Local Government for staff providing direct Adult Social Care (£230 million);
- transfer from Health & Social Care to Local Government to provide funding to increase the capacity of care at home (£124 million);
- transfer from Health & Social Care to Local Government to ensure delivery of the commitments set out in the Mental Health Transition and Recovery Plan (£120 million);
- transfer from Social Justice to Local Government to distribute Discretionary Housing Payments (£76.2 million);
- transfer from Health & Social Care to Local Government to provide funding for the implementation of the Carers Act (£60.5 million);
- transfer from Health & Social Care to Education and Skills portfolio to pay teaching grant for Nursery and Midwifery students (£57.8 million);
- transfer from Social Justice to Local Government to provide the Scottish Welfare Fund (£40.1 million);
- transfer from Net Zero and Energy to Social Justice for the installation of zero emission heating systems as part of the affordable homes programme (£40 million);
- transfer from Transport to Local Government to deliver grant payments to local authorities for the provision of Cycling, Walking and Safer Routes programme (£35 million);
- transfer from Net Zero and Energy to Enterprise, Trade and Investment within the Deputy First Minister, Economy and Gaelic portfolio to allow delivery of the Offshore Wind Investment Programme (£32.9 million); and
- transfer from Education & Skills to Local Government within the Finance & Local Government portfolio to provide funding for the delivery of the Whole Family Wellbeing Fund (£32 million).

B. Scotland Reserve and Funding Position Details

36. Tables 1.7a to 1.7e of the Budget Revision document sets out the Funding Position that supports the revised Scottish Budget. The table below breaks this down by the HM Treasury budget classifications of Fiscal Resource, Capital and Financial Transactions.
37. Annexes A and B detail the funding envelopes for each of the three key budget classifications at the Budget Bill along with the changes allocated within the Autumn Budget Revision.
38. The totals reconcile to the breakdown set out above, which in turn reconciles to table 1.7 in the supporting document.

B.1 Fiscal Resource

39. The Fiscal Resource funding position has increased by £1,076.5 million since the Scottish Budget was set in December 2023. The key changes are outlined in detail below.
40. There have been two UK Government fiscal events since the 2024-25 Scottish Budget was set. These have both resulted in £730.6 million of additional Barnett consequentials which have been allocated as part of the Autumn Budget Revision.
41. Following the Spring Budget 2024, £293.5 million of consequentials were generated. These were largely Health consequentials with £237.5 million received as a consequence of additional funding being provided to the NHS in England. This funding has been passed to the Health and Social Care portfolio in full in line with our commitment to pass on all Health consequentials.
42. £48.5 million of consequentials were received following the UK Governments decision to allocate an additional £500 million to the English Local Government settlement.
43. A further £437.2 million of resource consequentials were generated following the conclusion of the UK Government's 2024-25 Main Estimates process. These amounts were primarily in relation to increased employer pension contributions (EPC) requirements in the Department for Health and Social Care, the Home Office, the Ministry of Justice and the Department for Education which total £354.6 million.
44. An additional £66.3 million related to Department for Transport consequentials for an uplift for Network Rail for Control Period 7. This was already funded within the Scottish Budget and this funding has been to support the wider financial position alongside the other smaller balances which made up the total consequentials received.
45. The Social Security Block Grant adjustment has been amended as part of the Autumn Budget Revision. Ordinarily the BGA would only be adjusted following revised OBR projections at a UK fiscal event. However, the decision by the UK Government to reduce the eligibility to Winter Fuel Payments is a fundamental change of policy, rather than reflecting refinements to forecast uptake of benefits, and will have a material impact on the funding received by the Scottish Government. The exact impact on the BGA will not be confirmed until after the UK Budget on 30 October however our internal estimates indicate this will be in the region of £146 million and we've chosen to reflect this movement in the budget revision.

46. As noted above the Scottish Government has replicated this policy and has reduced its forecast benefit expenditure by £148 million meaning the net position is forecast to improve by approximately £2 million. We will revert to using the relevant OBR forecasts for all Social Security Block Grant adjustments at the Spring Budget Revision which may be impacted by increased registrations for pension credit.
47. As was outlined in the Minister for Public Finance's statement to parliament on provisional outturn on 20 June 2024, there was an underspend of £162 million against the resource budget for 2023-24. This amount has been carried forward within the Scotland Reserve and applied in full at the Autumn Budget Revision. Any revisions to the final outturn for 2023-24, and the associated Reserve carry forward will be reflected in the Spring Budget Revision.
48. At the time the Scottish Budget was set an £89 million resource to capital switch was included within the funding position to support the capital budget. Following the 2023-24 provisional outturn exercise it has become clear there is sufficient capital underspend carried forward in the Scotland Reserve to support the position without the requirement of the switch and this has been reversed. This improves the resource position by £89 million with a corresponding reduction in the overall capital position.
49. An additional £224 million of ScotWind revenues has been included with the funding position in the Autumn Budget Revision. This takes the current forecast utilisation in 2024-25 to £424 million with a further £236 million held as backstop to cover additional pressures.
50. The intention is to reduce the utilisation of ScotWind down as far as possible depending on the final financial position, as was the case in 2023-24 where ScotWind revenues were reduced to nil. Final decisions on the draw down and utilisation of ScotWind revenues from Crown Estate Scotland will be made at the end of the financial year.
51. To date only £96 million of the £756 million of ScotWind revenues received have been utilised, all in 2022-23. No INTOG revenues have been utilised to date with £54 million available in 2024-25 if required.
52. At the time the budget was set in December 2023 assumptions were made on the level of capital and resource borrowing that would be undertaken for 2023-24. These impacted the assumed cost of borrowing in 2024-25. Final decisions on the quantum borrowed in 2023-24 as well as the interest rates applied have resulted in a reduction in borrowing costs of £7.7 for resource and an increase of £6.3 million for capital borrowing costs.
53. £18.1 million of budget cover transfer have been received as part of the Main Estimates process. These amounts reconcile to the amounts outlined in the Whitehall transfers section above.

## B.2 Capital

54. Changes to the capital position since the Budget was set in December 2023 have also been reflected in the Autumn Budget Revision. These increase capital funding by £59.9 million.
55. The provisional outturn statement in June noted there were capital underspends of £130.4 million in 2023-24. These amounts are utilised in full within this budget revision. Any further changes to the 2023-24 figures will be reported as part of the final outturn and will be reflected in the Spring Budget Revision if the process has concluded by this point.
56. As discussed in the resource section, the level of underspends carried forward in the Scotland Reserve has allowed for the £89 million resource to capital switch included in the Budget to be reversed. This reduces the capital funding position by £89 million, leaving a net improvement of £41.4 million as a consequence of the Scotland Reserve.
57. The capital block grant position deteriorated by £1.3 million at the UK Main Estimates as a result of net negative consequentials.
58. These are offset by the increases in 'Other' capital funding for the £14.8 million deferral of late notified consequentials from the 2023-24 Supplementary Estimates process and the £5 million Reserve claim in respect of City Regional Deals Forthside Land Transfer.
59. For the purposes of the Autumn Budget Revision we have not fully allocated all capital funding. An amount of £25.2 million has been retained to offset the over-allocation of financial transactions budget.

## B.3 Financial Transactions

60. There has been a significant deterioration in the financial transactions budget since it was set in December 2023.
61. Negative financial transaction consequentials totalling £63.8 million were confirmed as part of the 2023-24 Supplementary Estimates process. These were significantly higher than previously indicated and given the late confirmation of this movement in 2023-24 it was agreed with HM Treasury that the Scottish Government could defer £52.8 million of these into 2024-25.
62. While this deferral was required to ensure the budget wasn't breached in 2023-24 the negative consequentials being applied in 2024-25 is putting extreme pressure on the budget position.
63. A modest underspend of £0.7 million is included within the Scotland Reserve following the conclusion of the provisional outturn process.
64. Currently the financial transaction budget is overallocated by £25.5 million. The expectation is that this will be reduced to nil at the Spring Budget Revision through a combination of slippage in FT programmes and additional FT income which has not yet been received. Given the uncertainty an equivalent amount of capital budget is being held to offset this overallocation.

B.4 Scotland Reserve

65. The current forecast Scotland Reserve following the provisional outturn is detailed below.

	<b>Resource</b>	<b>Capital</b>	<b>FT</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
2023-24 Opening balance	(249.9)	(32.1)	(44.5)	(326.5)
2023-24 Drawdowns	249.9	32.1	44.5	326.5
2023-24 Provisional Additions	(162.0)	(130.4)	(0.7)	(293.1)
2023-24 Closing balance	<b>(162.0)</b>	<b>(130.4)</b>	<b>(0.7)</b>	<b>(293.1)</b>
2024-25 Opening balance	(162.0)	(130.4)	(0.1)	(293.1)
2024-25 Drawdowns	162.0	130.4	0.7	293.1
2024-25 Provisional Additions	0	0	0	0
2024-25 Closing balance	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

66. In general terms the Scottish Government will always plan to drawdown any Scotland Reserve availability in full each financial year, with at least £100 million being required to be held annually to cover audit adjustments post year-end. As previous iterations of the Medium-Term Financial Strategy have set out this ensures that maximum fiscal flexibility is maintained without compromising the Scotland Reserve's capacity to absorb any volatility in spending late in the financial year.

67. Following the conclusion of the Fiscal Framework Review the Scotland Reserve cap will now grow in line with the inflation (as measured by the GDP deflator) from its previous £700 million threshold. The limit for 2024-25 is £712 million. In addition the drawdown limits of £250 million on Resource and £100 million on Capital have ceased to apply.



C. Reflection of Fiscal Statement in the Autumn Budget Revision

68. In her letter to the committee on 3 September 2024 the Cabinet Secretary for Finance and Local Government detailed the different components which comprised the, up to, £500 million of saving measures. These were:

*- the previously announced decisions to not make permanent the peak fares removal pilot, or progress the concessionary fares extension to asylum seekers pilot, and agreement with Local Government that they can draw on existing programmes to fund the pay deal; the total of these measures is **£65 million**.*

*- new additional measures announced today totalling **£188.4 million**;*

*- a further **up to £60 million savings** anticipated to be generated through the emergency spending controls;*

*- These savings should also be considered in the context of the recent Scottish Government decision to mirror the UK Government decision not to retain universality in the winter fuel payment, which would have cost **up to £160 million**.*

69. Savings as a result of not making permanent the peak fares pilot or progressing the concessionary fares extension to asylum seekers pilot are not included within the budget revision as funding would require to be provided to the portfolio or additional savings taken forward to continue with the schemes.

70. Similarly, the granting of additional flexibilities to Local Government to manage the pay deal pressures within their existing programmes has not resulted in a funding change within the document.

71. The table below includes in a reconciliation of the savings outlined in the Annex A of the letter sent to the FPAC on 3 September 2024 and what has been included within the Budget Revision

<b>Portfolio and Budget Line</b>	<b>Total savings</b>	<b>Reflected in the ABR</b>	<b>To be reflected in the SBR</b>	<b>Unfunded pressure reduction</b>
Visit Scotland	0.8	0.0	0.8	0.0
European Structural Fund Disallowance	0.8	0.0	0.8	0.0
<b>Deputy First Minister, Economy and Gaelic</b>	<b>1.6</b>	<b>0.0</b>	<b>1.6</b>	<b>0.0</b>
HE Student Support	6.0	6.0	0.0	0.0
Children's Right	0.3	0.0	0.3	0.0
Early Learning Childcare (ELC)	0.2	0.0	0.2	0.0
Other	0.2	0.0	0.2	0.0
<b>Education and Skills</b>	<b>6.7</b>	<b>6.0</b>	<b>0.7</b>	<b>0.0</b>
Community Eye Care	2.4	2.4	0.0	0.0
COVID-19	20.3	17.5	2.8	0.0
Education and Training	8.2	7.6	0.6	0.0

General Medical Services	11.0	7.3	3.7	0.0
Health Improvement and Protection	4.1	0.9	3.2	0.0
Mental Health Services	18.8	14.0	4.8	0.0
National Care Service / Adult Social Care	13.6	9.1	4.5	0.0
Other	27.7	14.4	13.3	0.0
Quality and Improvement	7.8	3.6	4.2	0.0
Revenue Consequences of NPD Schemes	2.0	2.0	0.0	0.0
<b>Health and Social Care</b>	<b>115.9</b>	<b>78.8</b>	<b>37.1</b>	<b>0.0</b>
Safer Communities	0.1	0.0	0.1	0.0
<b>Justice and Home Affairs</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>
Scottish Water Interest on Voted Loans	16.0	16.0	0.0	0.0
Zero Waste	2.5	2.5	0.0	0.0
Nature Restoration	1.0	1.0	0.0	0.0
Energy Efficiency and Decarbonisation	0.9	0.0	0.9	0.0
Energy Efficiency and Decarbonisation	0.8	0.0	0.8	0.0
Scottish Industrial Energy Transformation Fund	0.5	0.0	0.5	0.0
Carbon Capture, utilisation and storage (CCUS)	0.5	0.0	0.5	0.0
Energy Industries	0.4	0.0	0.4	0.0
Energy Industries	0.3	0.0	0.3	0.0
Hydrogen	0.3	0.0	0.3	0.0
Air Quality public engagement strategy	0.1	0.1	0.0	0.0
Environmental Standards Scotland op costs	0.1	0.1	0.0	0.0
<b>Net Zero and Energy</b>	<b>23.4</b>	<b>19.7</b>	<b>3.7</b>	<b>0.0</b>
Community Led Local Development (CLLD)	0.8	0.0	0.8	0.0
Land Reform	0.5	0.0	0.5	0.0
Animal Licences	0.1	0.0	0.1	0.0
<b>Rural Affairs, Land Reform and Islands</b>	<b>1.4</b>	<b>0.0</b>	<b>1.4</b>	<b>0.0</b>
Cladding remediation	0.7	0.0	0.7	0.0
Ukrainian Resettlement Programme	0.5	0.0	0.5	0.0
Other	0.6	0.0	0.6	0.0
Social Security Scotland - workforce savings	7.0	7.0	0.0	0.0
Social Security Scotland	5.0	5.0	0.0	0.0
Social Security	1.0	0.0	1.0	0.0
Social Security - Other	0.9	0.0	0.9	0.0

<b>Social Justice</b>	<b>15.7</b>	<b>12.0</b>	<b>3.7</b>	<b>0.0</b>
Active & Sustainable Travel	23.7	0.0	0.0	23.7
<b>Transport</b>	<b>23.7</b>	<b>0.0</b>	<b>0.0</b>	<b>23.7</b>
<b>TOTAL</b>	<b>188.5</b>	<b>116.5</b>	<b>48.3</b>	<b>23.7</b>

72. The delivery of savings within the Health and Social Care portfolio are included in the table above. These savings have been retained within the portfolio and are not included as funding reductions within the Autumn Budget Revision. All other savings are included as funding reduction within the supporting document.

73. There are no amounts included within the Autumn Budget Revision in respect of the £60 million forecast to be realised as a consequence of the emergency spending controls. An update on these will be included as part of the Spring Budget Revision.

74. The decision to mirror the UK Government decision not to retain universality in the winter fuel payment is reflected in the Autumn Budget Revision. An amount of £148 million has been included subject to revised forecasts from the Scottish Fiscal Commission which will be reflected in the Spring Budget Revision.

Annex A - Fiscal Resource Funding Envelope Breakdown

<b>Fiscal Resource (£m)</b>	<b>Scottish Budget Bill</b>	<b>Confirmed changes (ABR)</b>	<b>Funding position at ABR</b>
Barnett	36,959.6	730.6	37,690.2
Ringfenced Funding (HMT)	714.8		714.8
<b>Total UK Settlement (A)</b>	<b>36,674.4</b>	<b>730.6</b>	<b>38,405.0</b>
<b>Social Security Block Grant Adjustment (B)</b>	<b>5,191.5</b>	<b>(145.8)</b>	<b>5,045.6</b>
Block Grant Adjustment for Taxes and Non-Tax Income	(18,065.9)	-	(18,065.9)
Scottish Income Tax	18,844.1	-	18,844.1
Land and Buildings Transaction Tax	730.5	-	730.5
Scottish Landfill Tax	58.2	-	58.2
Non-Tax Income	25.0	-	25.0
<b>Net Budget Adjustment for Taxes and Non-Tax Income (C)</b>	<b>1,591.9</b>	<b>-</b>	<b>1,591.9</b>
Reconciliations	(338.0)	-	(338.0)
Resource Borrowing	338.0	-	338.0
Resource Borrowing Costs	(124.0)	(7.7)	(131.7)
Capital Borrowing Costs	(140.9)	6.3	(134.6)
Scotwind	200.0	224.0	424.0
Scotland Reserve	0.0	162.0	162.0
Migrant Surcharge	200.0	-	200.0
KLTR	5.0	-	5.0
Other	18.1	18.1	36.2
Resource to Capital Switch	(89.0)	89.0	0.0
<b>Other Income and Funding Adjustments (D)</b>	<b>69.2</b>	<b>491.7</b>	<b>560.8</b>
<b>IFRS16 adjustment (E)</b>	<b>(203.1)</b>	<b>0.0</b>	<b>(203.1)</b>
<b>Total Fiscal Resource Funding (A+B+C+D+E)</b>	<b>44,323.8</b>	<b>1,076.5</b>	<b>45,400.3</b>
<b>Total Fiscal Resource Budget allocated</b>	<b>44,323.8</b>	<b>1,076.2</b>	<b>45,400.0</b>
<b>Unallocated Funding</b>	<b>0.0</b>	<b>0.3</b>	<b>0.3</b>

## Annex B - Capital Funding Envelope Breakdown

<b>Capital (£m)</b>	<b>Scottish Budget Bill</b>	<b>Changes at ABR</b>	<b>Funding position at ABR</b>
Barnett Funding	4,700.8	(1.3)	4,699.5
Ringfenced Funding	670.0	-	670.0
Capital Borrowing	457.5	-	457.5
Scotland Reserve	-	130.4	130.4
City Deals	100.0	-	100.0
Resource Capital Switch	89.0	(89.0)	-
Other	-	19.8	19.8
IFRS16 adjustment	232.7	0.0	232.7
<b>Total Capital Funding</b>	<b>6,250.0</b>	<b>59.9</b>	<b>6,309.9</b>
<b>Total Capital Budget allocated</b>	<b>6,250.0</b>	<b>34.7</b>	<b>6,284.7</b>
<b>Unallocated Funding</b>	<b>0.0</b>	<b>25.2</b>	<b>25.2</b>

## Annex C - Financial Transactions Funding Envelope Breakdown

<b>FT (£m)</b>	<b>Scottish Budget Bill</b>	<b>Changes at ABR</b>	<b>Funding position at ABR</b>
Barnett Funding	176.0	0.0	176.0
Scotland Reserve	0.0	0.7	0.7
Other	0.0	(52.8)	(52.8)
<b>Total FT Funding</b>	<b>176.0</b>	<b>(52.2)</b>	<b>123.9</b>
<b>Total FT Budgeted Spend</b>	<b>176.0</b>	<b>(26.6)</b>	<b>149.4</b>
<b>Overallocated Funding</b>	<b>0.0</b>	<b>(25.5)</b>	<b>(25.5)</b>

Annex D – Comparator information

In line with requests for additional transparency data we are providing the committee with details of the Scottish Budget movements at Level 3. This is provided in the separate working file. The upcoming 2025-26 Scottish Budget will show these figures as the prior year comparator for 2024-25.

## Update on the Funding Position following UK Autumn Budget

### Background

Given the uplift in the funding position, as outlined in the UK Autumn Budget, this note provides an update on the impact of this on the Scottish Government for 2024-25 to support Committee considerations in advance of the session on the Autumn Budget Revision on November 12th.

### Resource

1. The UK Autumn Budget provided £1.433 billion in resource Barnett consequentials. These amounts are broadly in line with our internal planning assumption and is factored into spending plans.
2. The Cabinet Secretary set out in September detail of the pressures and challenges in the public finances, which required to be addressed in order to secure a balanced budget.
3. The consequential funding will also enable us to further work towards reducing usage of available Scotwind funding in-year, with an update on this to be provided as part of the Spring Budget Revision as we move towards the end of the financial year.
4. The Cabinet Secretary will give consideration to how these additional consequentials will be distributed across known pressures, ahead of the 2025-26 Scottish Budget. Any confirmed changes will be reflected in the Spring Budget Revision.
5. In addition to the resource consequentials there were two non-Barnett additions for Budget cover transfers confirmed as part of the UK Autumn Budget. These are £34.1 million for McCloud remedies on Police and Fire pensions and £1 million for City Deals. These amounts are broadly as anticipated and will be passed to their respective areas as part of the Spring Budget Revision.
6. Alongside the UK Autumn Budget the OBR has provided revised Block Grant Adjustments for Social Security and Tax. The Scottish Fiscal Commission will provide updated tax and social security benefit forecasts for 2024-25 as part of their ongoing work on the 2025-26 Scottish Budget. These forecasts will be published alongside the Budget on 4<sup>th</sup> December.
7. Given the inter-dependency between the OBR BGAs and the SFC forecasts there is no merit in considering only one side of the changes. We would note however that the revised block grant adjustment for the Winter Fuel Payment has been forecast for £37 million, a reduction of £142 million from the £179 million. This is

broadly consistent with the estimated figure of £146 million that was included in the Autumn Budget Revision. The revised block grant adjustments and forecasts will be included in the Spring Budget Revision.

## Capital

8. £72 million of additional Barnett consequentials were confirmed as part of the UK Autumn Budget as well as £119 million of non-Barnett City Deal funding. £100 million of this was already anticipated in the funding position.
9. Additional budget cover was also provided for ring-fenced IFRS16 adjustments. This takes the total ring-fenced IFRS16 capital budget in 2024-25 to £267 million. This amount is around £75 million less than was requested to cover the necessary re-profiling of the budgetary impact across the transition period. The additional capital Barnett consequentials received will therefore require to be held to offset the impact of this IFRS 16 shortfall.

## Financial Transactions

10. There were no changes to the financial transactions funding position that was outlined in Autumn Budget Revision included within the UK Autumn Budget.

## Conclusion

11. HM Treasury have been clear that the UK Autumn Budget has been used to update the funding position for UK departments including all known and expected pressures. Unlike previous financial years we therefore do not anticipate significant further consequential funding to arise at the UK Supplementary Estimates, other than for known budget cover transfers or for technical adjustments. Any changes to the budgetary position will be reflected in the Spring Budget Revision.





**SPICe** The Information Centre  
An t-Ionad Fiosrachaidh

**Finance and Public Administration Committee**  
**Tuesday 05 November 2024**  
**Autumn Budget Revision, 2024-25**

## Introduction

This is the third year in a row where there have been significant in-year changes to the Budget plans passed by Parliament via the Budget Bill in February. Changes have been required due to higher than planned pay-deals being offered to public sector workers to ward off industrial action.

In a statement to Parliament on 03 September 2024, the Cabinet Secretary set out a number of in-year changes, with [further detail provided in a letter to the Committee](#). Details included:

- Up to **£60 million** to be found from emergency spending controls, including recruitment freezes and restrictions on overtime, travel and marketing costs.
- The removal of discounted Rail Peak Fares, and the concessionary fares extension to asylum seekers pilot. Agreement to give Local Government flexibility to draw on specific existing programmes (e.g. flood defence spending, funding for tablets for some children) to fund the pay deal offered to council refuse workers. Together these decisions amount to **£65 million** of savings.
- A further **£188 million** has been identified from “additional specific savings across all portfolios”. According to this statement, this includes a reduction in resource spend on sustainable and active travel, and “increased interest income on Scottish Water loan balances”. However, more than half of the total (£116 million) will come from reduced spending on health and social care.
- Planning to drawdown **£460 million** of Scotwind revenues.
- The recent Scottish Government decision to mirror the UK Government decision not to retain universality in the winter fuel payment, which would have cost up to £160 million. It is still unclear how the **£160 million** previously planned for Winter fuel payments will be accounted for. The Scottish Government has the option of utilising that money this financial year and repaying at a later date, but no decision had been taken at the time of writing.

In the letter to the Committee, the Cabinet Secretary noted:

“As required by law, I can assure the committee that the impact of these measures has been appropriately assessed, including in formal impact assessments where required.”

These [impact assessments were subsequently published here](#).

This evidence session allows members the opportunity to explore these decisions, the changes proposed in the Autumn Budget Revision and consider the general fiscal position for the current financial year, including the impacts from the UK Budget on the current financial year.

It is important to note that this is the first of two Budget Revisions. By its very nature of being later in the financial year, the Spring Budget Revision will present a fuller picture, incorporating further in-year emerging pressures and the UK Budget changes, including those set out in the Scottish Government’s Update on the Funding Position following UK Autumn Budget.

## UK Budget

Since the Autumn Budget Revision was published, we have had the UK Budget of 30 October, setting out UK government allocations for this year (2024-25) and next (2025-26). To inform the Committee’s deliberations on the ABR, Scottish Government officials have sent the Committee an update on how the UK Budget has impacted the 2024-25 funding position.

The Scottish Government Update notes that the UK Autumn Budget provides £1.422 billion in Resource Barnett consequentials, adding that these were “in line with our internal planning assumption and factored into spending plans.” The key word here is “internal” as it is not possible to reconcile the publicly available September statement and/or ABR (laid on 3 October 2024) with a £1.422 billion addition in Resource spending that the Scottish Government says it was assuming.

The Update also states:

“The consequential funding will also enable us to further work towards reducing usage of available Scotwind funding in-year, with an update on this to be provided as part of the Spring Budget Revision as we move towards the end of the financial year.”

It is not clear why the usage of Scotwind funding was pencilled into the September statement and Autumn Budget Revision if there was internal planning that £1.422 billion was coming from the UK Budget and “factored into spending plans”.

The Update notes two non-Barnett additions for Budget cover transfers of £34.1 million for McCloud remedies on Police and Fire pensions and £1 million for City deals which will be reflected in the Spring Budget Revision.

Paragraphs 8-10 of the Update confirm the UK Autumn Budget changes on the Capital side – namely £72 million in consequentials, £119 million non-Barnett City Deal funding, and IFRS adjustments (see paragraph 9).

Finally, the Update notes that the Scottish Government does not expect significant changes to arise at the UK Supplementary Estimates late in the financial year.

## The Autumn Budget Revision

The Autumn Budget Revision (ABR) amends the Budget (Scotland) Act 2024 which authorises the Scottish Government's spending plans for financial year 2024-25. As mentioned above, it is the first of two in-year opportunities for the Scottish Government to reconfigure 2024-25 spending plans.

Details of the proposed changes are set out in the [2024-25 Autumn Budget Revision to the Budget \(Scotland\) Act for the year ending 31 March 2025 published on 03 October 2024](#).

The Scottish Government has also issued a Guide to the 2024-25 Autumn Budget Revision, which members have received. This contains additional and more up-to-date information than the supporting document laid alongside the Instrument.

The proposed changes in the ABR result in an increase in the approved budget of £1,126.6 million from £59,322.5 million to £60,449.0 million. The changes can be summarised as follows:

- Funding changes to reflect deployment of available resources to portfolios which increases the budget by £1,066.2 million;
- Whitehall transfers and HM Treasury allocations of £18.1 million;
- Technical adjustments increasing the budget by £42.2 million;
- The transfer of resources between Scottish Government portfolios which are budget neutral.

This paper summarises some of the key areas for discussion with the Minister.

## Portfolio restructuring implications

It is worth noting that there are changes to portfolio responsibilities set out in the ABR. These followed the appointment of the new First Minister on 7 May 2024. The table on page 4 of the supporting document provides a reconciliation between the previous portfolio budgets as presented in the 2024-25 Budget, and the new portfolios structure. Most portfolios were either not impacted or saw relatively modest changes. There was an additional Cabinet role created with responsibilities for the Wellbeing Economy, Fair Work and Energy and the Deputy First Minister and Finance portfolios were split across three portfolios.

## Funding Changes

The supporting document and Guide states that the funding changes total +£1,066.2 million net and include the following changes:

- A carry forward from the Scotland Reserve (£293 million).
- Additional Barnett consequentials totalling £729.3 million – these arise from the previous UK Government’s Spring Budget in March (£293 million) and the UK Main Estimates (£436 million)
- Funding from Scotwind monies (£224 million)
- A negative Block Grant Adjustment from the Winter Fuel Payment end of universalism (-£145.8 million)
- Negative consequentials from Financial Transactions (FTs) from 2024-25 of -£52.8 million
- Deferred consequentials and City deals of £19.8 million
- Change in borrowing costs reducing funding by -£1.4 million.

The ABR funding changes by portfolio are presented in table 1 below. The table also includes two small changes involving the Scottish Courts and Tribunals Service and Environmental Standards Scotland.

**Table 1: Funding changes, £ million**

<b>Scottish Government Portfolios</b>	<b>Funding Additions</b>	<b>Funding Reductions</b>	<b>Net Funding Changes</b>
Health and Social Care	1,058.0	0.0	1,058.0
Social Justice	0.0	(160.0)	(160.0)
Net Zero and Energy	0.0	(19.6)	(19.6)
Education and Skills	0.0	(6.9)	(6.9)
Justice and Home Affairs	35.1	0.0	35.1
Transport	0.0	(26.5)	(26.5)
Rural Affairs, Land Reform and Islands	5.4	(0.1)	5.3
Constitution, External Affairs & Culture	0.0	0.0	0.0
Finance and Local Government	155.9	0.0	155.9
Deputy First Minister, Economy and Gaelic	20.2	0.0	20.2
Crown Office and Procurator Fiscal	1.3	0.0	1.3
<b>Scottish Government</b>	<b>1,275.9</b>	<b>(213.1)</b>	<b>1,062.8</b>
Scottish Courts and Tribunals Service	4.0	(0.5)	3.5

Environmental Standards Scotland	0.0	(0.1)	(0.1)
<b>Total Scottish Budget</b>	<b>1,279.9</b>	<b>(213.7)</b>	<b>1,066.2</b>

The supporting document refers to the Cabinet Secretary for Finance and Local Government's statement to Parliament of 3 September. The document notes that £188.4 million savings were set out, adding that "where these savings have been finalised they are reflected in the funding changes outlined as part of the Autumn Budget Revision. The remaining savings will be included within the Spring Budget Revision." The Guide to the ABR (paragraph 71) shows that £116.5 million of the £188.4 million savings set out to Parliament on 3 September have been reflected in the ABR.

In terms of where the ABR allocates these funding changes, the largest funding deployed goes to Health and Social Care, which receives £1,058 million. £864 million goes to the Health Services budget line and £194 million for "additional costs of enhanced employer pension contributions. Page 16 of the Supporting document shows £909 million is transferred out of Health and Social Care, albeit much of this outgoing resource goes to Local Government to deliver social care and other "health" policies like mental health care – for example, the transfer of £120 million to deliver commitments in the Mental Health Transition and Recovery Plan.

Local Government receives £155.9 million in the ABR. £86.2 million relates to funding for additional costs of enhanced employer pension contributions for Teachers, £62.7 million relates to additional general revenue grant funding and £4 million for the Island Cost of Living Fund. £3 million is being provided to support the council tax freeze following engagement with CoSLA (on top of the £144 million provided at Budget Bill 2024-25). It is not clear from the document why this additional £3 million was required.

£35 million has been provided to the Justice and Home affairs portfolio to fund additional costs of Police and Fire Pensions. This primarily relates to the impact of the costs of enhanced employer pension contribution rates. Scottish Courts and Tribunals Service are receiving £4 million of funding for the same purpose.

£20.2 million of capital funding goes to Ferguson Marine (within the Deputy First Minister, Economy and Gaelic portfolio) to fund the costs of building of vessels 801 and 802.

The largest portfolio reduction presented in the ABR comes in the Social Justice portfolio, which is reduced by £160 million (see table above). £148 million reflects the estimated change to Scottish Government funding following the UK Government decision to limit eligibility for Winter Fuel Payment and the Scottish Government decision to replicate this decision for its equivalent fund – Pension Age Winter Heating Payments (PAWHP).

The Scottish Government was due to launch PAWHP in Scotland, in winter 2024. As a result of the decision to now provide it on the same basis as those who receive the

Winter Fuel Payment, it will now be administered by DWP to those in Scotland who are eligible – that is people of State Pension age who get certain benefits.

As a result of this decision, £148 million which would have been spent on PAWHP, goes into the general pot to be redistributed to other priorities within the ABR. It is not yet clear whether the Scottish Government plans to use the £148 million this year or to return this back to the Treasury. Because this decision was made in year and given the operation of Social Security funding under the Fiscal Framework, if the Scottish Government decides to use the money this year, it will need to return the money to the UK government via a later reconciliation.

The balance of £12 million within Social Justice relates to Social Security programme savings outlined in the Fiscal Statement for reduced costs of workforce and delivery of the PAWHP.

In Transport, £26.5 million of Financial Transaction income from the Low Carbon Transport Scheme is included as a saving. The Scottish Government's decision to not make permanent the peak fares pilot nor to progress with the concessionary fares for asylum seekers pilot have not, however, been included as a saving. The Guide states this is because "funding would require to be provided to the portfolio or additional savings taken forward to continue with the schemes."

£19.6 million in savings in the Net Zero portfolio are presented in the ABR. These were included in the Cabinet Secretary's statement in September and include "£16 million of additional income in respect of Scottish Water Interest on Voted Loan" – this is essentially interest being paid back to the Scottish Budget from government loans to Scottish Water. The additional £3.6 million savings relate to reduced forecast on the Zero Waste programme, £1 million of savings from Nature Restoration and £0.1 million relating to Air Quality.

The Education and Skills portfolio shows £6.9 million of savings – "the largest of which is the £6 million forecast reduction in expected demand for Higher Education Student Support."

## Whitehall transfers

There are six Whitehall transfers and allocations from HM Treasury presented in the ABR which increase spending by £18.1 million.

- The largest of these is £7.7 million added to the Ukrainian Resettlement budget in the Social Justice portfolio for Ending Homelessness Funding.
- £7.3 million is being provided to the Social Justice portfolio for the Debt Advice Levy. "This will be used to fund essential debt advice services provided by a range of organisations across Scotland."
- The Transport portfolio is receiving a Whitehall transfer of £1.5 million in relation to "A75 Union Connectivity" Funding
- Digital Strategy in the Deputy First Minister, Economy and Gaelic portfolio will receive £1.3 million of UK Cyber Security funding for a number of cyber projects

- The Education and Skills portfolio will receive £250,000 of National Cyber Security Funding in respect of the CyberFirst Programme, while the Health and Social Care portfolio will contribute £20,000 for the Sport Satellite Programme.

## Technical Adjustments

Technical adjustments increase the net Budget by £42.2 million. The Guide notes that these have “no impact on the Scottish Government’s discretionary spending.”

The single largest change is the £40.3 million adjustment for Scottish Water voted loans “to reflect the split of capital”. The Guide states:

“This adjustment is to revise the split of loans issued and repayments between those which score on the SG basis and those which don’t. There is no impact on the Scottish Government’s discretionary spending as a result of this change as this budget was already included on a HM Treasury basis.”

The balance of technical adjustments relate to the ongoing implementation of International Financial Reporting Standards 16 (IFRS 16) by the International Accounting Standards Board (IASB) which change the accounting treatment of leases. An explanation is provided on paragraphs 31-33 of the Guide.

The Guide explains that this is a (very) technical accounting change referred to in the last two ABRs:

“We are currently in the final year of a three year transition period with budget initially applied at Budget Bill to reflect the changes but subject to in-year amendment.”

The supporting document and Guide notes that budget cover for this change is provided by HM Treasury which means that the discretionary spending power of the Scottish budget is not impacted.

“These changes provide additional capital and non-cash budget cover to be applied for existing and new assets acquired under lease arrangements, to allow for their reclassification and subsequent depreciation. There are also changes to the resource budget position to adjust for the elements of the rental costs that are now capitalised.

Ring-fenced budget cover is being provided by HM Treasury to support this change in accounting treatment and the Scottish Government’s net discretionary funding will not be impacted by these changes subject to agreement with HM Treasury. Final IFRS16 budget cover requirements will be provided to Treasury ahead of the UK Supplementary Estimates exercise.”

## Internal transfers

There are a number of internal transfers between Budget lines which move budget provision within and between portfolios. These net to zero so do not affect the overall size of the budget, but do reflect how spending priorities have shifted during the year.

Transfers highlighted in the supporting document are as follows:

- transfer from Health & Social Care to Local Government within the Finance & Local Government portfolio to support the investment in integration of Health & Social Care (£257.2 million);
- transfer from Education & Skills to Local Government to support the recurring costs of the previous financial year's Teachers' Pay Awards (£242 million);
- transfer from Health & Social Care to Local Government for staff providing direct Adult Social Care (£230 million);
- transfer from Health & Social Care to Local Government to provide funding to increase the capacity of care at home (£124 million);
- transfer from Health & Social Care to Local Government to ensure delivery of the commitments set out in the Mental Health Transition and Recovery Plan (£120 million);
- transfer from Social Justice to Local Government to distribute Discretionary Housing Payments (£76.2 million);
- transfer from Health & Social Care to Local Government to provide funding for the implementation of the Carers Act (£60.5 million);
- transfer from Health & Social Care to Education and Skills portfolio to pay teaching grant for Nursery and Midwifery students (£57.8 million);
- transfer from Social Justice to Local Government to provide the Scottish Welfare Fund (£40.1 million);
- transfer from Net Zero and Energy to Social Justice for the installation of zero emission heating systems as part of the affordable homes programme (£40 million);
- transfer from Transport to Local Government to deliver grant payments to local authorities for the provision of Cycling, Walking and Safer Routes programme (£35 million);
- transfer from Net Zero and Energy to Enterprise, Trade and Investment within the Deputy First Minister, Economy and Gaelic portfolio to allow delivery of the Offshore Wind Investment Programme (this is cited as being £32.9 million, but on page 40 there is a figure presented of -£57.9 million (operating) which includes £25 million in Capital (see page 105 of supporting document);
- transfer from Education & Skills to Local Government within the Finance & Local Government portfolio to provide funding for the delivery of the Whole Family Wellbeing Fund (£32 million).

Other transfers that may worthy of further discussion are as follows.



## Health and Social Care

Page 26 of the supporting document sets out all the movements within the Health and Social Care portfolio, many of which reflect the fact that although spending is in health or social care, delivery comes from Local Government. The Committee has discussed this issue before, around why monies are presented in Budgets within the Health and Social Care budget, but then moved in-year via revisions to Local Government.

## Social Justice, Housing and Local Government

The reduction in spend on the Winter Heating Payment forecast following the end of universalism in this policy area is shown on page 35 of the supporting document (-£148 million). As has previously been discussed in Committee, it is unclear how the Scottish Government plans to manage this resource – spend it this year on other priorities and pay-back as part of reconciliation later, or reduce the budget spend by this amount this financial year by returning it to Treasury this year.

## Education and Skills

As well as the £242 million transferred to Local Government to support Teacher's pay, there are a number of transfers out of the Learning budget, summarised on page 48 of the supporting document. In total £286 million is coming out of the Learning budget in the ABR.

There are movements netting to -£93 million in the Children and Families budget summarised on page 51 of the supporting document. Again, most of these reflect the local government delivery of policies – for example school meals, early learning, play parks, children's social care.

There is a £17 million transfer from the Scottish Funding Council to Higher Education Student Support to fund "additional student places for widening access" (pages 53 and 54 of the supporting document).

## Justice and Home Affairs

On page 57 of the supporting document there is a £15 million transfer into the Community Justice Services budget line to "support the 'Recover, Renew, Transform' programme. On page 65 there is another transfer of £15.480 million out of the Miscellaneous Justice and Home Affairs Budget line to the Scottish Courts and Tribunals Service (see page 128) to support the same Justice 'Recover, Renew, Transform' Programme.

More detail on 'Recover, Renew, Transform' programme and what it involves could be helpful given the size of these transfers.

## Transport

Page 76 of the supporting document presents the "Transport Central Government Grants to Local authorities" budget line. It sets out three transfers which may be of interest. There is an incoming £13.9 million for inter-island ferries and incoming

£11.073 million for “the Cycling, Walking and Safer Routes programme”, there is also a £35 million transfer out of this budget line to “Local Government for cycling, walking and safer routes”.

## Finance and Local Government

Relative to the Budget Act 2024-25 passed by Parliament earlier this year, the Finance and Local Government budget increases by £1,550.203 million from £12,202 million to £13,752 million (supporting document, page 92). The changes are nearly all in the Local Government budget, and presented on page 93 of the supporting document. They include some of the big transfers from Health mentioned above, and a transfer from the Learning budget in the Education and Skills portfolio of £242 million for Teachers Pay awards.

## Funding position and Scotland Reserve

Tables 1.7a to 7.7e sets out the Funding position supporting the revised Budget.

The Guide provides a bit more detail around the funding changes set out in the ABR. It notes that at the time of the ABR (so before the Budget of 30 October), £730.6 million of additional Barnett consequentials had come to the Scottish Budget in 2024-25.

The UK Government’s Spring Budget 2024 (pre-election) added £293.5 million in consequentials. There were largely Health consequentials with £237.5 million received as a consequence of additional funding being provided to the NHS in England. The Guide notes that “this funding has been passed to the Health and Social Care portfolio in full in line with our commitment to pass on all Health consequentials.”

£48.5 million of consequentials were received following the UK Government’s decision to allocate an additional £500 million to the English Local Government settlement (this is within the £293.5 million UK Government’s Spring Budget 2024 consequentials referenced above).

£437.2 million of resource consequentials were generated following the conclusion of the UK Government’s 2024-25 Main Estimates process (and published in July 2024). These amounts were primarily in relation to increased employer pension contributions (EPC) requirements in the Department for Health and Social Care, the Home Office, the Ministry of Justice and the Department for Education which total £354.6 million.

An additional £66.3 million related to Department for Transport consequentials for an uplift for Network Rail for Control Period 7. The Guide notes that “this was already funded within the Scottish Budget and this funding has been to support the wider financial position alongside the other smaller balances which made up the total consequentials received.”

## Scotland Reserve

The ABR presents the current Scotland Reserve position, reproduced in the following table. This shows the additions made to the Scotland Reserve from the provisional outturn statement in June – namely £162 million in Resource, £130.4 million in Capital and £0.7 million in Financial Transactions (a total of £293.1 million). As mentioned above, this £293.1 million is allocated in the ABR.

The Guide notes the deterioration in the Financial Transaction position, noting:

“Currently the financial transaction budget is overallocated by £25.5 million. The expectation is that this will be reduced to nil at the Spring Budget Revision through a combination of slippage in FT programmes and additional FT income which has not yet been received. Given the uncertainty an equivalent amount of capital budget is being held to offset this overallocation.”

As members know, the Reserve position is always moveable and uncertain. The Guide sets out the current forecast position in the table below, and the position will be updated in the Spring Budget Revision later in the financial year. The **red font** is used to show the underspends that have been deposited in the Scotland Reserve.

**Table 2: Scotland Reserve balance**

	<b>Resource</b>	<b>Capital</b>	<b>FT</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
2023-24 Opening balance	(249.9)	(32.1)	(44.5)	(326.5)
2023-24 Drawdowns	249.9	32.1	44.5	326.5
2023-24 Provisional Additions	(162.0)	(130.4)	(0.7)	(293.1)
2023-24 Closing balance	<b>(162.0)</b>	<b>(130.4)</b>	<b>(0.7)</b>	<b>(293.1)</b>
2024-25 Opening balance	(162.0)	(130.4)	(0.1)	(293.1)
2024-25 Drawdowns	162.0	130.4	0.7	293.1
2024-25 Provisional Additions	0	0	0	0
2024-25 Closing balance	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The Guide reiterates that the Scottish Government policy of planning to

“drawdown any Scotland Reserve availability in full each financial year, with at least £100 million being required to be held annually to cover audit adjustments post year-end. As previous iterations of the Medium-Term

Financial Strategy have set out this ensures that maximum fiscal flexibility is maintained without compromising the Scotland Reserve's capacity to absorb any volatility in spending late in the financial year.”

The Guide also notes that following the Fiscal Framework Review the Scotland Reserve cap will now grow in line with the inflation (as measured by the GDP deflator) from its previous £700 million threshold. The limit for 2024-25 is £712 million. The previous drawdown limits of £250 million on Resource and £100 million on Capital have ceased to apply.

### Transparency

The Guide also notes that the upcoming Scottish Budget 2025-26 will show the latest position as at Autumn Budget Revision 2024-25 as the baseline prior year comparator (as opposed to the previous Budget Bill 2024-25).

Ross Burnside  
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