

2023-24 Provisional Outturn Briefing Note

20 June 2024

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Provisional Outturn – HM Treasury Budgets

1. The 2023-24 provisional HM Treasury fiscal outturn is £49.3 billion against a fiscal budget of £49.6 billion. The remaining funding of £292 million (which represents 0.6% of the total budget) has been carried forward within the Scotland Reserve if confirmed at Final Outturn with no loss of spending power. Table 1 provides further detail, with this split as £162 million fiscal resource and £130 million of capital. The Scottish Government cannot overspend against its budget and therefore a small underspend each year is required in order to achieve this.
2. Resource funding will be set against 2024-25 pressures and to support annual year-end audit adjustments via the Scotland Reserve. £109 million of the capital underspend was anticipated at the Spring Budget Revision, with the full underspend of £130 million to be used to support the 2024-25 budget.
3. An element of our budget allocation from HM Treasury is non-cash, which is used for accounting adjustments, predominantly depreciation. This underspend is £1.1 billion. It is not possible to use this ring-fenced non-cash budget to support any day-to-day spending. Non-cash funding does not flow to the Scotland Reserve and is not included in our headline provisional outturn results.
4. To note the Scottish Government's Consolidated Accounts, once published later in 2024, is based on a different reporting boundary to the Provisional and Final Outturn and therefore budget variances will differ.

Table 1: 2023-24 Provisional Outturn HM Treasury Budget Variances by Portfolio

2023-24 Provisional Outturn Fiscal Variances by Portfolio – HM Treasury Controls						
Portfolio	Resource	Capital	Financial Transactions	TOTAL	Non-Cash	TOTAL
	£m	£m	£m	£m	£m	£m
Constitution External Affairs and Culture	(5)	1	(0)	(4)	0	(4)
Deputy First Minister and Finance	(8)	32	4	28	(6)	22
Education and Skills	(62)	3	0	(59)	(152)	(211)
Justice	(23)	(1)	0	(24)	1	(23)
NHS Recovery, Health and Social Care	(0)	9	2	11	3	14
Rural Affairs, Land Reform and Islands	(50)	(21)	5	(66)	(1)	(67)
Social Justice	(8)	(9)	(12)	(29)	(19)	(48)
Transport, Net Zero and Just Transition	(61)	(29)	(2)	(92)	(2)	(94)
Wellbeing Economy, Fair Work and Energy	(50)	(28)	(9)	(87)	(3)	(90)
The Crown Office and Procurator Fiscal	(5)	0	0	(5)	(0)	(5)

2023-24 Provisional Outturn Fiscal Variances by Portfolio – HM Treasury Controls						
Portfolio	Resource	Capital	Financial Transactions	TOTAL	Non-Cash	TOTAL
	£m	£m	£m	£m	£m	£m
Total Scottish Government	(272)	(43)	(12)	(327)	(179)	(506)
Other Bodies within the Scottish Administration	(7)	0	0	(7)	(1)	(8)
Total Scottish Administration	(279)	(43)	(12)	(334)	(180)	(514)
Other Bodies funded directly from the Scottish Budget	(2)	0	0	(2)	(0)	(2)
Total Scottish Budget	(281)	(43)	(12)	(336)	(180)	(516)
Funding Adjustments*	119	(87)	12	44	(931)	(887)
PROVISIONAL OUTTURN	(162)	(130)	(0)	(292)	(1,111)	(1,403)

* Funding adjustments relate to adjustments made after conclusion of the Spring Budget Revision which are not included in portfolio allocations.

Scottish Income Tax

- The Scottish Parliament set the following rates and bands of Scottish Income Tax for 2023-24:

Table 2: Scottish Income Tax Rates

Band	Income Range	Rate
Starter Rate	£12,571 - £14,732	19%
Basic Rate	£14,733 - £25,688	20%
Intermediate Rate	£25,689 - £43,662	21%
Higher Rate	£43,663 - £125,140	42%
Top Rate	Over £125,140	47%

- As noted in the 2023 Medium Term Financial Strategy¹, although tax performance remains a key risk to the resource funding position, recent evidence across a range of indicators suggests that Income Tax performance has been strong in 2023-24.
- Provisional in-year Pay As you Earn (PAYE) tax data for the first 11 months of 2023-24 suggest that growth in Scottish PAYE income tax receipts has outperformed the rest of the UK.
- The strong Real Time Information (RTI) tax data is partially reflected in the latest SFC forecasts from December 2023, with income tax receipts expected to grow strongly by 13% to **£17,357 million** in 2023-24.
- According to the latest SFC/OBR forecasts, the net position in 2023-24 is expected to have improved significantly at +£827 million, compared to +£325 million when the budget was set. However, this forecast improvement has no

¹ [The Scottish Government's Medium-Term Financial Strategy - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/medium-term-financial-strategy-2023-24/pages/100/index.aspx)

impact on our spending power in 2023-24 as final figures for Income Tax are “locked in” until outturn becomes available. Should final outturn figures turn out to be higher or lower than originally forecast, the impact will be deferred to the 2026-27 Budget via the reconciliation process.

10. On current forecasts, a **positive £502 million reconciliation** is expected to be applied to the 2026-27 Budget.

Borrowing

11. The Scottish Government borrowed £104 million for resource expenditure and £300 million for Capital expenditure in 2023-24.
12. Borrowing drawdown decisions are always taken in the light of the in-year budget management position and are finalised at the very end of the financial year to ensure maximum fiscal flexibility.
13. The Medium-Term Financial Strategy sets out the Scottish Government’s overall approach to Capital and Resource Borrowing and our outturn amounts remain within these borrowing policy approaches.

Capital Borrowing

14. The Capital Borrowing policy seeks to maximise the limitations of the fiscal framework in a fiscally sustainable way.
15. Policy to date has been built around ensuring sustainable Capital Borrowing within the fiscal framework limits. With these limits now growing with inflation the dynamics of a sustainable level of Capital Borrowing have changed and therefore the next MTFS will provide further detail on the future approach to Capital Borrowing policy.

Resource Borrowing

16. Resource Borrowing is governed by an entirely different set of rules and therefore our policy approach reflects this.
17. Under the fiscal framework the resource borrowing facility has increased but remains limited. Our policy approach is to consider all of the limited tools available to manage the resource budget to:
 - Ensure a balanced budget by the end of each financial year.
 - Mitigate volatility in the medium-term resource funding outlook.

Social Security

18. In 2023-24, Social Security Scotland administered 14 benefits; Carer's Allowance Supplement, Best Start Foods, Best Start Grant – Pregnancy and Baby Payment, Best Start Grant – Early Learning Payment, Best Start Grant – School Age Payment, Funeral Support Payment, Young Carer Grant, Job Start Payment, Scottish Child Payment, Child Winter Heating Payment, Child Disability Payment, Adult Disability Payment, Winter Heating Payment and Carer Support Payment.

19. In 2023-24, the Department for Work and Pensions administered 6 benefits under agency agreements on Social Security Scotland's behalf: Carer's Allowance, Personal Independence Payment, Attendance Allowance, Industrial Injuries Disability Scheme, Severe Disablement Allowance, and Disability Living Allowance.

20. During 2023-24 we have launched a new benefit with the introduction of Carer Support Payment in pilot areas and widened eligibility for Best Start Foods. We have also been working to improve our processing times on our disability benefits, while continuing to develop systems and capability to support delivery of the remainder of the devolved benefits outlined in the Social Security (Scotland) Act 2018.

21. The table below provides details of expenditure on each benefit for 2023-24.

Table 3: 2023-24 Benefit Expenditure

Benefit Expenditure	Expenditure £m
Carer's Allowance	357.1
Disability Living Allowance	444.6
Attendance Allowance	659.2
Personal Independence Payment	1,690.1
Severe Disablement Allowance	5.6
Industrial Injuries Disability Scheme	81.4
Department for Work and Pensions administered benefits	3,238.0
Best Start Grant	21.3
Best Start Foods	12.7
Carer's Allowance Supplement	48.1

Benefit Expenditure	Expenditure £m
Funeral Support Payment	13.2
Job Start Payment	0.3
Young Carer's Grant	1.4
Scottish Child Payment	429.2
Child Disability Payment	425.3
Child Winter Heating Assistance	7.7
Adult Disability Payment	942.3
Winter Heating Payment	23.4
Carer Support Payment	0.5
Social Security Scotland administered benefits	1,925.4

Scotland Reserve

22. The Scotland Reserve provides the Scottish Government with a limited facility to manage the smoothing of all types of spending, assist the management of tax volatility and determine the timing of expenditure.
23. The Reserve is split between Fiscal Resource and Fiscal Capital and is, following the Fiscal Framework Review, capped in aggregate at £700 million in 2023-24 prices (using the OBR's GDP deflator forecast at the time of the Scottish Government draft Budget), and therefore uprated annually.
24. All discretionary funding in the Reserve following the conclusion of final outturn processes will be used to support the financial position in 2024-25, with circa £100 million held for annual year-end audit adjustments, which reflects necessary financial management practices.
25. The Scotland Reserve position as at 31 March 2024 is shown below.

Table 4: Scotland Reserve – 2023-24

	Resource £million	Capital £million	FT £million	Fiscal £million
2019-20 Opening balance	(381.1)	(65.3)	(158.6)	(605.0)
2019-20 Drawdowns	248.8	60.0	120.0	428.8
2019-20 Additions	(85.1)	(74.3)	(96.9)	(256.3)
2019-20 Closing balance	(217.4)	(79.6)	(135.5)	(432.5)
2020-21 Opening balance	(217.4)	(79.6)	(135.5)	(432.5)
2020-21 Drawdowns	170.6	79.6		250.2
2020-21 Additions	(357.9)	(6.8)	(61.4)	(426.1)
2020-21 Closing balance	(404.7)	(6.8)	(196.9)	(608.4)
2021-22 Opening balance	(404.7)	(6.8)	(196.9)	(608.4)
2021-22 Drawdowns	404.7	6.8	196.9	608.4
2021-22 Additions	(605.0)	(81.0)	(14.0)	(700.0)
2021-22 Closing balance	(605.0)	(81.0)	(14.0)	(700.0)
2022-23 Opening balance	(605.0)	(81.0)	(14.0)	(700.0)
2022-23 Drawdowns	605.0	81.0	14.0	700.0
2022-23 Additions	(180.6)	(24.7)	(39.0)	(244.3)
2022-23 Closing balance	(180.6)	(24.7)	(39.0)	(244.3)
2023-24 Opening balance	(180.6)	(24.7)	(39.0)	(244.3)
2023-24 Drawdowns	180.6	24.7	39.0	244.3
2023-24 Provisional Additions	(162)	(130)	0.0	(292)
2023-24 Current Closing balance	(162)	(130)	0.0	(292)

Fiscal Framework Review 2023

26. A new Fiscal Framework agreement was announced on 2 August 2023 following a review.

27. The review confirms that the Indexed Per Capita mechanism for calculating Block Grant Adjustments will be adopted permanently, ensuring that the Scottish Budget is protected from the risk of slower population growth.

28. The Scottish Government's resource borrowing capacity to deal with forecast error will be increased by £300 million (to £600 million) in 2023-24 prices. This limit will be indexed in line with inflation, as measured by the GDP deflator.

29. Capital borrowing limits (£450 million annual limit; £3 billion cumulative limit) will also increase in line with inflation from 2024-25.
30. The drawdown limits on Scotland's reserve will be abolished. The overall reserve limit will also be indexed in line with inflation from 2024-25.
31. The provision for a Scotland-specific Economic Shock has been removed; this is now covered by improved unconditional resource borrowing limits.
32. There are also changes to the calculation of the reduction applied to the Scottish Block Grant as part of the devolution of Crown Estate revenues and Fines, Forfeitures, and Fixed Penalties (FFFPs) Full details of the changes can be found here; [Fiscal framework: agreement between the Scottish and UK Governments - gov.scot \(www.gov.scot\)](https://www.gov.scot/governments)

Provisional Outturn – Budget Act

33. Under the Scotland Act 1998, the approval of expenditure is the responsibility of the Scottish Parliament. This responsibility requires the Parliament to set a limit on both the total amount of cash and the total level of resources that the Scottish Government can use. Approval for the final 2023-24 Budget was sought in the Spring Budget Revision laid in February 2024.
34. The largest element of the budget approved by the Scottish Parliament is accounted for within HM Treasury budgetary control totals. Parliamentary budgets also include funding provided annually by HM Treasury (Annually Managed Expenditure or AME) and other budgets which are not subject to the same annual limits.
35. Such budgets can only be used for specific spending, and any under/overspends cannot be deposited in the Scotland Reserve and have no subsequent impact on the Scottish Budget. Variances of this type are generally accounting items such as provisions, NHS impairments and student loans adjustments. These budgets are not available to buy public goods and deliver services.
36. This statement of Provisional Outturn will be followed by reporting on Outturn against the 2023-24 Budget Act limits in a suite of annual accounts which together report on the total Scottish Budget approved by the Scottish Parliament:
 - The Annual Accounts of the Scottish Government (and of individual bodies funded from the Scottish Budget) will report on their expenditure compared to the allocation by Budget Act. The annual Scottish Government Consolidated Accounts will be published later in the year.

- There will be a separate additional account reporting on the devolved taxes, showing what was raised and paid into the Scottish Consolidated Fund and was available to fund the activities authorised in the Budget Act.
- The Devolved Taxes Accounts will link to the Account of the Scottish Consolidated Fund, which is a cash account showing all sources of funding, including devolved taxes, to the Scottish Consolidated Fund; these accounts also show the drawdown of funding by the Scottish Government and bodies funded via the Scottish Budget.
- A Statement of Total Outturn for the financial year 2023-24 against the final budget for the Scottish Administration as a whole will also be provided to the Scottish Parliament, on completion of the year end audits for all of the bodies within the Scottish Government budgeting boundary.

37. Table 5 below confirms the overall provisional HM Treasury fiscal outturn variance of £292 million. The footnotes explain the main contributory factors to the different level of reported variances against Parliamentary control totals.

- HMT Budget Variance – is the difference between actual outturn and budget for resource, capital and financial transactions which is reported to HMT. Note the funding adjustments in the table relate to changes to funding post conclusion of the Spring Budget Revision and forms part of the overall Scotland Reserve.
- Non-Cash - used for accounting adjustments, predominantly depreciation. It is not possible to use this ring-fenced non-cash budget to support any day-to-day spending.
- NDPBs / Other Bodies – The Scottish Government Consolidated Accounts includes the grant in aid to the Scottish Government sponsored bodies. To reconcile this to HMT Treasury reporting the grant in aid is removed and replaced with the actual resource, capital and FT expenditure in those bodies.
- AME / Other – refers to Annually Managed Expenditure and Outside Departmental Expenditure which does not form part of our Scotland Reserve limit and therefore is removed.

Table 5: Reconciliation between Provisional HM Treasury Budget Variances and Scottish Budget Variances (as approved by the Scottish Parliament)

2023-24 Forecast Outturn to Scottish Budget Variance as at Provisional Outturn						
Portfolio	HMT Budget Variance	Non-Cash	HMT Budget Variance (inc. Non-Cash)	NDPBs / Other Bodies	AME / Other	Scottish Budget Variance
	£m	£m	£m	£m	£m	£m
Constitution External Affairs and Culture	(4)	0	(4)	3	(0)	(1)
Deputy First Minister and Finance	28	(6)	22	0	0	23
Education and Skills	(59)	(152)	(211)	(99)	282	(28)
Justice	(24)	1	(23)	31	(0)	7
NHS Recovery, Health and Social Care	11	3	14	7	43	62
Rural Affairs, Land Reform and Islands	(66)	(1)	(67)	0	(1)	(67)
Social Justice	(29)	(19)	(48)	0	58	10
Transport, Net Zero and Just Transition	(92)	(2)	(94)	(19)	(33)	(146)
Wellbeing Economy, Fair Work and Energy	(87)	(3)	(90)	(12)	(10)	(112)
The Crown Office and Procurator Fiscal	(5)	(0)	(5)	0	(1)	(6)
Total Scottish Government	(327)	(179)	(506)	(89)	338	(258)
Other Bodies within the Scottish Administration	(7)	(1)	(8)	0	(597)	(605)
Total Scottish Administration	(334)	(180)	(514)	(89)	(259)	(863)
Other Bodies funded directly from the Scottish Budget	(2)	(0)	(2)	0	(2)	(4)
Total Scottish Budget	(336)	(180)	(516)	(89)	(261)	(867)
Funding Adjustments*	44	(931)	(887)	0	0	0
PROVISIONAL OUTTURN	(292)	(1,111)	(1,403)	(89)	(261)	(867)

* Funding adjustments relate to adjustments made after conclusion of the Spring Budget Revision which are not included in portfolio allocations.

Differences between HMT budget and Scottish Budget (as per the Scottish Consolidated Accounts) is due to:

(a) A combination of adjustments relating to Non-Departmental Public Bodies (NDPBs). The Scottish Government Consolidated Accounts includes the grant in aid to the Scottish Government sponsored bodies. For HMT Treasury reporting we must report actual expenditure against the resource, capital and FT expenditure on a resource accounting basis in place of the Grant in Aid.

(b) Small variances relating to other bodies within the portfolios which do not form part of the Scottish Government Consolidated Accounts i.e. Revenue Scotland, Scottish Fiscal Commission, Scottish Courts and Tribunals Service, National Records of Scotland, Scottish Housing Regulator, Office of the Scottish Charity Regulator, Food Standards Scotland, Registers of Scotland, Consumer Scotland, Environmental Standards Scotland, Scottish Parliament Corporate Body and Audit Scotland. Also, any adjustments relating to HM Treasury or Scottish Budgets only.

(c) Variances in Annually Managed Expenditure (AME) and Other expenditure which are only recorded in the Scottish Budget outturn.

(d) Funding adjustments made after conclusion of the Spring Budget Revision can be reflected in our assessment against HMT Treasury totals but not Scottish Budget totals.

Comparison with Previous Years – HM Treasury Budgets

38. For purposes of comparison, the HMT fiscal variance against total budget reported for the last four years including 2023-24 are summarised within Table 6 below:

Table 6: 2019-20 to 2023-24 Outturn Variances Comparison – HM Treasury Budgets

	Resource	Capital	Financial Transactions
	£million	£million	£million
2023-24	(162)	(130)	0
2022-23	(250)	(32)	(44)
2021-22	(604)	(81)	(14)
2020-21	(358)	(7)	(61)
2019-20	(150)	(74)	(97)