

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



Scottish Government
Riaghaltas na h-Alba
gov.scot

T: 0300 244 4000
E: scottish.ministers@gov.scot

Kenneth Gibson MSP
Convener
Finance and Public
Administration Committee
The Scottish Parliament
Edinburgh
EH99 1SP
fpa.committee@parliament.scot

27 March 2023

Dear Kenneth

The Office for Budget Responsibility (OBR) published updated UK Government tax revenue and social security benefits expenditure forecasts on 15 March 2023. HMT have used these forecasts to calculate updated Block Grant Adjustment (BGA) estimates for the Scottish Budget 2023-24 and later years. Table A in the annex to this letter outlines the BGAs for Income Tax, Land and Buildings Transaction Tax (LBTT), Scottish Landfill Tax (SLfT), and the devolved Social Security benefits.

These BGAs don't provide a full update on Scotland's Budget as the full impact will not be known until the SFC publish their updated forecasts in May. These BGAs show the direction of travel since the last OBR forecast at the Autumn Statement, but the true impact on Scotland's finances will not be clear until the SFC next publish their forecasts for tax revenue and social security benefits expenditure in Scotland.

I would also note that the announcements in the Chancellor's Statement on 15 March result in an additional £319 million in consequential for Scotland's Budget over the next two years. This represents £43 million for revenue and £24 million for capital in the first year, then £250 million for revenue and £2 million for capital in the second year. However, the fiscal outlook remains difficult, with inflation continuing to erode the available spending power.

In preparing the UK Spring Budget, and calculating this latest round of BGA forecasts, HMT have used the ONS' mid-2020 population estimates rather than the more recent mid-2021 population estimates published in December 2022. This is on the basis that the mid-2021 population estimates incorporated census data for the first time

My officials will be happy to answer any further questions you have.

JOHN SWINNEY

ANNEX A

Table A: Block Grant Adjustments - OBR forecasts March 2023 (£m)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Income Tax	-13,624	-14,866	-15,799	-16,239	-16,722	-17,359	-18,092
LBTT	-642	-722	-519	-508	-612	-723	-809
SLfT	-102	-101	-96	-91	-84	-87	-92
Total Tax	-14,368	-15,688	16,415	16,838	-17,418	-18,168	-18,993

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
AA	515	549	646	714	728	733	744
PIP	1,736	2,022	2,500	2,840	3,095	3,347	3,609
DLA	703	736	826	900	915	906	920
CA	293	314	367	404	421	441	465
IIDS	79	79	84	84	80	77	74
SDA	7	6	6	6	5	4	3
CWP	N/A	21	5	5	5	5	5
TOTAL SS	3,332	3,728	4,434	4,953	5,250	5,512	5,820

indicates outturn data

All BGAs are calculated using the IPC method

Figures may not sum due to rounding