

UK Budget 2024

Scottish Impact



POLICY BRIEFING

Introduction

The UK Budget remains important for Scotland even though many tax and spending decisions do not apply directly. However, with half of the Scottish government budget being determined by a combination of UK Govt block grant and the Barnett formula; spending decisions on devolved services in England have financial consequences for Scotland. This briefing looks at some of the main measures announced implications for Scottish public spending – Table 1 outlines the main features of the budget and whether they apply directly to Scotland.

Increased spending

Over the next five years, the UK Government UK plans to increase spending by £70 billion per year, with two-thirds of this going on resource or day-to-day spending, and one-third going on infrastructure.

This will see rises in the Scottish Budget of £1.5bn in this financial year, and £3.4bn next year. Announcements about what this means for departmental budgets in the UK and the Scottish block grant for years after this will be made as part of the Spending Review announcement in Spring 2025

Barnett Consequentials

The increased spending in England only departments impacts on the Scottish government budget through the operation of the Barnett Formula. Put simply if spending is increased in England on a devolved service like health or roads, the Scottish Government receives a financial uplift, a so called 'Barnett consequential'. It is important to remember that the Scottish Government can spend this money as it chooses (ie consequentials derived from an increase in Police Spending in England don't need to be spent on Policing in Scotland).

Taxation

There are (fairly small) adjustments to Capital Gains Tax and Inheritance Tax but by far the biggest tax rise is the the increase to Employer National Insurance Contributions (NICs). This is expected to raise around £24 billion per annum. Employers will pay National Insurance at a rate of 15% on employees' earnings above £5,000 per year from April 2025. This represents an increase in the current rate of 13.8% and a decrease in the threshold above which employer NICs are paid (down from £9,100 at present).

Increased Employers National Insurance Contributions

This could, according to Scottish government put £500m costs on the Scottish public sector. UK government say that extra money will be provided to compensate for this, sums of between £295m to £330m have been reported but at time of writing no other details are available.

National Minimum Wage

This will increase to £12.24 an hour from April 2025 (an increase of 6.7%); the rate for 18-20 year-olds increases from £8.60 to £10 per hour and the minimum wage for apprentices will rise from £6.40 to £7.55 per hour.

KEY POINTS:

- **UK government is raising public spending.**
- **This is estimated to increase the Scottish government budget by £1.5bn this year, and £3.4bn next year.**
- **The Barnett formula means that the Scottish Government receives extra cash for measures announced in England that don't apply in Scotland.**



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Table 1 : Summary of measures

Policy	Applies in Scotland
Taxes	
Employer National Insurance Contributions	Yes
Capital Gains Tax	Yes
Inheritance tax	Yes
Winter fuel payment cut	Not directly – but Scottish Government have said they will apply the same means testing as UK Govt
Business Rates: 40% relief for Retail, Hospitality and Leisure(RHL) in 2025-26 & lower business rate multipliers for small business and RHL	No – these are devolved
Remove eligibility for charitable rate relief for private schools –	No - this is devolved
VAT: Applying the standard rate (20%) to education and boarding services provided by private schools	Yes
Air Passenger Duty: Adjustment to increase all rates from 2026-27 with a further 50% increase for larger private jets, and rates set to nearest penny from 2027-28	Yes (although powers exist in Scotland this is currently administered by the UK Government)
Social Security	
Household support fund & Discretionary Housing Payments increase	No - This is devolved
Carer's Allowance – increasing earnings limit to equivalent of `16 hours on minimum wage (as of Apr 25)	No - This is devolved
Increase in Schools budget (with targeted Special educational needs spending)	No. This is devolved
Additional resource for NHS	No. This is devolved
Capital Investment	
Capital expenditure for NHS, schools prisons, roads maintenance, homes and housing.	No.This is devolved.
Other	
National Living Wage increase	Yes

Conclusion

There is no doubt that the measures announced give the Scottish government more leeway than was expected. (eg £1.5bn extra in this years budget than was announced in February). There is also an increase, rather than the projected fall, in capital spending (increase of 7.1%). Welcome though all this is, it is not enough to remedy the pressures on services and staff built up in previous years. To address these the Scottish Government will still need to make far more use of their own capacity to raise money than they have up until now

Additional reading

- [Budget Document](#)
- [Scottish Parliament Information Centre Budget summary](#)
- [UNISON UK budget response](#)
- [STUC budget response](#)



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