

# Draft Scottish Budget 2020/21



## POLICY BRIEFING

### Introduction

The Scottish Government have published their draft budget for 2020/21. The spending total amounts to a real terms increase of 3.6% on last year. The increase is largely as a result of so called Barnett Consequentials (ie an uplift based on increased spending in England). There may be further cash available depending on the outcome of the UK Govt budget (11 March). This does not however mean that all services will automatically see an increase in resources. In many areas greater spending is tied into Scottish Government priorities. This is particularly true in Local Government where it seems new responsibilities are significantly in excess of increases in spending.

### Taxation

Band	Band name	Rate
£12,501* - £14,585	Starter Rate	19%
£14,586 - £25,158	Scottish Basic Rate	20%
£25,159 - £43,430	Intermediate Rate	21%
£43,431 - £150,000**	Higher Rate	41%
Above £150,000**	Top Rate	46%

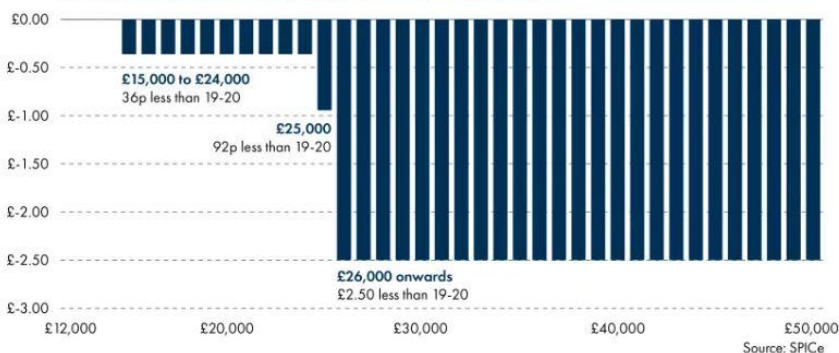
\*Assumes individuals are in receipt of the Standard UK Personal Allowance.

\*\*Those earning more than £100,000 will see their Personal Allowance reduced by £1 for every £2 earned over £100,000.

There are no changes to overall rates of tax, some adjustments to thresholds on earning before tax is paid. For starter and basic rate these go up by inflation, higher rate threshold stays unchanged. These mean differences between Scotland and rUK which bring tiny positive gains for low earners. Leaving higher rate threshold untouched brings in an estimated £68m more than if the rUK limit adopted. Differences with rUK are estimated to be worth around £500m.

### Yes, you pay less tax than last year... but not much

Difference between tax paid in Scotland in 2019-20 and 2020-21 by earnings



The Scottish Government maintains its policy of keeping business taxes lower than elsewhere in the UK. Last year this foregone tax was worth over £700. Scottish Government is also using £200m “resource borrowing” powers to cover a shortfall based on overly optimistic Income Tax take forecasts. They will also utilise the maximum allowable borrowing for capital investment of £450bn

### KEY POINTS:

- **Scottish Government has set out its draft budget and pay policy**
- **All Scottish Government portfolios see a real terms increase in spending**
- **In many cases increases in spending are tied to Scottish Government priorities**



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## Local Government

In straight cash terms Local Government Funding goes up by £495m. The real picture however is that the discretionary spending capacity of Councils almost unchanged – but councils are being given additional spending commitments by the Scottish Government which amount to an extra £590 million – so this amounts to a real terms cut of around £95m There is a £117m cut in the capital spending budget. Councils are to be allowed to raise Council Tax up to a maximum of 4.84%.

## Health

Health receives a relatively generous settlement with the commitment being over £100 million more than Barnett consequentials. Health Boards overall get an almost 6% real terms increase, with most health boards receiving at least 5%+ real terms. As with Local Government there is an indication that some of this is earmarked towards Scottish Government priorities.

## Education

There is additional cash (£235m) for implementing the early year's expansion, both in terms of staff and buildings. £180 million is promised for action to close the attainment gap in schools. £120m of this seems to be the previously announced Pupil Equity Fund money. There is no real terms increase for the Funding Councils. The rise in college operational expenditure is below inflation.

## Police and Fire

Police and fire and budgets see real terms above inflation increases ( around 5% and 3% respectively). There is a proportionately greater increase in the capital budget – this though is from a low base and seems unlikely to be able to meet the demands for renewal that will be placed upon it.

## Pay Policy

The Scottish Government's pay policy only applies to directly employed staff and NDPBs. The new pay policy is: Guaranteed 3 per cent increase on basic pay awards for public sector workers earning up to £80,000. This is to include a guarantee of at least £750 to workers earning under £25k with an upper limit of a £2k rise to those earning £80K+. Employers are instructed to support the requirement for employers to pay their staff the real Living Wage of £9.30 per hour and maintain the position on no compulsory redundancy.

## Tackling Climate Change

Investment in lowering carbon emissions is increased by £500m, with total investment of around £1.8 billion in 2020-21. These include schemes in Transport, housing and agriculture

## Wellbeing

Beforehand the budget was trailed that it would be “a wellbeing budget”. While the term features frequently (80 mentions). Other than references to National Performance Framework outcomes – there is no explanation as to how this has informed decisions on what is to be done (or what will no longer be being done).

## Conclusion

Whilst the increase in spending is welcome it is not the case that the sums involved will make up for a decade of austerity. Many services will remain under significant pressure as will the workers providing them.

### Further information

#### Draft Budget 2020-21

<https://www.gov.scot/news/scottish-budget-2020-21/>

#### Pay policy

<https://www.gov.scot/publications/scottish-public-sector-pay-policy-2020-21/pages/4/>

#### Fraser of Allander Institute analysis

<https://fraserofallander.org/scottish-economy/budget/budget-2020-21-preliminary-analysis/>



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