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Scottish Budget 2021-22 Summary

Fiscal and Economic context

As the [Scottish Budget](#) itself observes, this year's publication 'is like none before it, and is informed by the experiences and impacts of the past twelve months.' The introduction sets out the stark economic context created by the pandemic, with economic activity in Scotland having shrunk by almost a quarter in March and April 2020, although there were six consecutive months of positive growth after the lockdown. The recovery has slowed since the summer months, with subdued underlying demand and a deteriorating short-term outlook after the new Covid-19 variant was discovered.

The Scottish Fiscal Commission (SFC) forecasts published with the Scottish Budget suggest that GDP will fall by 5.2% in the first quarter of 2021, but the vaccine rollout will allow a return to growth in 2021-2, though GDP is not expected to return to pre-pandemic levels in the start of 2024. These forecasts have assumed that the Coronavirus Job Retention Scheme will end in April and will not be replaced, acting as a driver for the forecast that unemployment will reach 7.6% in the second quarter of 2021.

The Scottish Budget also notes the impact of Brexit on the Scottish economy, with new regulations affecting the viability and competitiveness of exporters, especially in the manufacturing, food and drink, agriculture, forestry and fisheries sectors. Modelling by the Scottish Government suggests that, even with the deal negotiated by the UK Government, Scottish GDP could be 6% lower by 2030, compared to full membership of the EU.

Tax

- Income Tax rates will remain unchanged and the starter and basic rate bands, as well as the higher rate threshold, will increase by CPI inflation (0.5%). The top rate threshold will remain frozen in cash terms at £150,000, as has been our policy since 2017/18.
- The ceiling of the nil rate band for residential Land and Buildings Transaction Tax (LBTT) will return to £145,000 from 1 April 2021. First-time buyers will continue to be able to claim the first-time buyer relief, which has the effect of raising the nil rate band to £175,000.
- An inflation-based increase will be applied to the standard and lower rate of Scottish Landfill Tax (SLfT), ensuring consistency with planned Landfill Tax charges in the rest of the UK.
- The nondomestic rates regime will continue to be the most competitive regime anywhere in the UK, with the Basic Property Rate ('poundage') being reduced to 49 pence.
- The 100% relief for Retail, Hospitality, Leisure and Aviation sectors will be extended for at least three months. This relief will be funded through the receipts received from businesses who have chosen to reimburse the NDR relief provided in 2020-21, and will provide a degree of early certainty to the most directly affected sectors despite the lack of clarity from the UK Government. Should the UK Government bring forward an extension to their equivalent RHL relief that generates consequential funding, the Scottish Government will match the extension period as part of a tailored package of business support measures.
- An additional £90m will be provided to compensate councils that choose to freeze their Council Tax at 2020-21 levels, helping to protect household incomes.

Reliefs packages

The Scottish Budget 2021-22 introduces the following policies that respond directly to the immediate challenges posed to the commercial property market by the COVID-19 pandemic and the need to promote a green recovery:

- The rateable value upper threshold in order to qualify for Fresh Start Relief will be increased from £65,000 to £95,000 to match the Higher Property Rate threshold. This relief encourages the use of empty property by offering 100% relief for up to twelve months to properties that have been empty for six months or more
- Business Growth Accelerator (BGAc) relief will be expanded to property improvements where there has been a concurrent change of use to incentivise the re-use of existing assets. This component of BGAc that any increases in NDR due to improvements to, or the expansion of, existing properties will not take effect until twelve months after those changes are made to the property.

- Unoccupied new builds will be able to claim BGAc relief for up to three years, providing certainty to investors and developers.
- One hundred per cent Day Nursery Relief for all standalone nurseries in the public, private and charitable sectors will be extended to at least 30 June 2023.
- The Budget extends the current 60% hydro relief and the 50% District heating Relief until 31 March 2032.
- Where district heating networks are powered by renewables, the District Heating Relief will be expanded to offer 90% relief instead of 50% for new District Heating networks. The 90% relief will be available to 31 March 2024.
- The Budget will continue to fund the Small Business Bonus Scheme relief and the Transitional relief which are set annually.

A green economic recovery- five year plan

- The Programme for Government set out the initial tranche of £1.6bn investment from the Low Carbon Fund with the final £400m set out in the recent Climate Change Plan update.
- This additional £2bn of low carbon investment across the next five years - starting with £165m in 2021-22 - together with wider capital investment will deliver a number of large-scale infrastructure projects, including:
 - Nearly £1.6bn to transform heat and energy efficiency of buildings in Scotland,
 - £60m to support the industrial and manufacturing sectors during a green economic recovery
 - The £62m Energy Transition Fund
 - £70m fund to improve local authority recycling collection infrastructure, and develop a new route map to reduce waste
 - Over £500m in active travel over the next five years and a further £500m in bus priority infrastructure.
 - £150m has been allocated for woodland and forestry through the low carbon fund,
 - Investing over £70m to support a transformative shift to zero emission mobility
 - £120m for Zero Emission Buses over the next five years
 - A new £180m Emerging Energy Technologies Fund to support the development of hydrogen and Carbon Capture and Storage
 - £50m to create Active Freeways, providing sustainable transport infrastructure between settlements and major trip attractors.
- An extra £150m will be provided for flood risk management, with an additional £10m in 2021-22. This is in addition to the ongoing commitment to provide £42m annually to local authorities for flood risk management.
- In 2020 Scotland set out plans to invest a cumulative £250m in peatland restoration by 2030. This budget confirms that peatland restoration spend will increase by 10%, to £22m in 2021-22 as part of a multi-year spending package.
- Funding for biodiversity projects will increase to £5m in 2021-22.

Digital

- The Scottish Government commissioned the Scottish Technology Ecosystem Review (STER) to recommend how we can harness the enormous potential of the tech sector and how it can contribute to Scotland's economic recovery following the pandemic. This budget provides £7m to drive implementation.
- In 2021-22 £98.2m was invested in digital connectivity. This includes continued funding for Reaching 100% (R100) programme and funding for improved mobile coverage through delivery of 4G and 5G infrastructure, including the Scottish 4G Infill programme and The Scotland 5G Centre.
- Digital inclusion will be backed by total investment of £45.6m.

Trade and International Development

- Enterprise, Trade and Investment funding of £311.3m will support work on the three pillars of internationalisation of the Scottish economy - inward investment, trade, and capital. A trade policy vision will be published shortly.
- Scotland will continue to deploy £10m through the International Development Fund.

Rural Economy and Tourism

- £210m will be invested in the City Region and Growth Deal programme.
- Almost £1.2bn of funding will be provided across the Rural Economy and Tourism portfolio.
- £801m will be invested in agricultural support. A £40m Agriculture Transformation Fund will assist the sector to reduce greenhouse gas emissions, improve efficiency and enhance Scotland's natural environment.
- £150m has been allocated for woodland and forestry through the low carbon fund, supporting an increase in tree planting and woodland creation, from 12,000 hectares in 2020-21 up to 18,000 hectares in 2024-25. This sits alongside total funding in the 2021-22 Budget for Forestry and Land Scotland and Scottish Forestry of £121.2m - an increase of £26.9m on the previous year.
- £55.1m was provided for Tourism. The Rural Tourism Infrastructure Fund will be doubled to £6.2m. £103.3m was provided to fund Highlands and Islands Enterprise and South of Scotland Enterprise - an increase of £17m.
- £176.7m for culture and major events will support ongoing delivery of A Culture Strategy for Scotland.
- The Budget provides £63.3m for National Records of Scotland.

Health

- In 2021-22, investment in the Health and Sport Portfolio will increase to over £16bn - an increase of over £800 million (5.4%) to the core Health and Sport budget, along with a further £869m to continue to address COVID-19.
- £10.6 bn of baseline funding will be provided to NHS territorial boards. £1.3bn will be provided to NHS national boards.
- In light of the benefits seen from the use of genomic medicine in improving prevention, diagnosis and treatment for patients with a range of conditions, investment in this area will increase to £2.3m.
- £1.9bn will be invested in Primary Care. The Primary Care Fund will increase from £195m to £250m in 2021-22.
- In July 2020, Scotland rolled the new NHS Pharmacy First service - backed by £7.5m investment in 2021-22, and due to rise to £10m by 2022-23.
- With further funding of £2m in 2021, the Near Me service is now being offered to all public service organisations across Scotland.
- £431m will be provided for general dental services.
- In 2021-22, as well as continuing to support existing services through the £111.7m General Ophthalmic Services budget, the Scottish Government will continue to deliver the recommendations of the Community Eyecare Services Review.
- An additional £72.6m will be transferred from the health portfolio to local authorities for investment in social care to support delivery of the Living Wage (£34m), continued implementation of the Carers Act (£28.5m) and uprating of free personal care (£10.1m). In total, this will take investment in social care in excess of £883m in 2021-22.
- Additional investment of £28.5m will ensure the ongoing implementation of carers rights under the Carers (Scotland) Act.
- £145.3m will be provided to fund action on alcohol and drugs - an increase of £50m on 2020-21, which will be targeted towards reducing drugs deaths.
- Scottish Government direct investment in mental health will increase to £139m and will support overall spending on mental health in excess of £1.1bn.

Welfare

- £50m will be invested for the Tackling Child Poverty Fund.
- In the coming year, social security assistance will reach almost £3.6bn.
- Scottish Child Payments will begin from February 2021, with expected investment in 2021-22 of £68m. The payment will first be introduced for families with children under six. It is then to deliver this for children under 16 by the end of 2022. Upon full roll-out, it is expected total investment to reach £184m.

- Social Security Scotland are expected to pay out £31m across Best Start Grants and Best Start Foods. Taken together, these payments provide over £5,200 of financial support for low-income families by the time their first child turns six, and over £4,900 for second and subsequent children.
- Social Security Scotland will start taking applications for the Child Disability Payment from summer 2021 as part of a pilot, ahead of a full roll-out across the country from autumn 2021, with expected spending of £231m.
- £118m will be provided to local authorities to support low-income families and those who may be impacted by UK Government welfare cuts, through the Scottish Welfare Fund and Discretionary Housing Payments. This includes £71m to mitigate the UK Government's bedroom tax.
- Together with local authority partners the Scottish Government will invest at least £6m to deliver a School Clothing Grant worth at least £100 to every eligible child. At least £53m is available for the provision of universal Free School Meals to all Primary 1 and Primary 3 children in school.

Education

- The Scottish Government will provide £2.7bn across the Education and Skills budget.
- There will be over £29m for teacher training.
- Local authorities will receive £567m revenue grant funding for Early Learning and Childcare.
- The Scottish Government will provide over £1.9bn to the Scottish Funding Council, to fund the university and college sector, including £700m for colleges and £1.1bn for universities.
- A further £30m will be prioritised to support the continuation of Foundation and Graduate Apprenticeships
- The Scottish Government will provide £328m for higher education student support.

Jobs and Skills

- The Scottish Budget provides investment of around £1.1 in for jobs and skills.
- Additional investment of £125m for the development of the Young Person's Guarantee as well as the National Transition Training Fund (NTTF).
- £5m for Community Jobs Scotland (CJS) which works with voluntary sector employers to create job opportunities for unemployed people aged 16 to 29, particularly those most disadvantaged in the labour market.
- Funding for Skills Development Scotland (SDS) will increase in 2021-22 to £230m. This will deliver national training interventions, including apprenticeships, Individual Training Accounts, the national redundancy service (PACE), and local careers services.
- In 2021-22, the Scottish Government will allocate an initial £14m from the new £100m Green Jobs Fund, across the enterprise agencies and supporting supply chains.
- The Scottish Government will now work to establish a Green Jobs Workforce Academy.
- In 2021-22, £5m will be invested in the Parental Employability Support Fund (PESF), providing dedicated support for low-income families.
- Fair Start Scotland will be given £27m as part of a two-year extension to support up to 29,000 people.
- There will be £14.1m for the Employability Fund, supporting up to 8,300 training places.

Communities and Local Government

- The total local government funding package is £11.6bn.
- Over £382m of additional funding for local authorities has been committed to support them in the pandemic. A package of financial flexibilities and extra funding for councils could be worth up to £750 million in 2020-1 and 2021-2 and a Lost Income Scheme has been increased to £200 million for 2020-21.
- Other funding streams for local authorities for individual Scottish Government priorities total £631m in 2021-2.
- Over £26.1m is allocated to third sector support in 2021-2.
- Initial investment of £55m in 2021-2 in a new Place Based Investment Programme, as part of an overall commitment to invest over £275m over the next five years in support of

community-led regeneration, town centres, 20-minute neighbourhoods, and Clyde Gateway sponsorship.

- £81.6m is allocated for regeneration programmes, including the Empowering Communities Programme

Housing

- The Scottish Government will begin a five-year £50m programme of investment in regenerating vacant and derelict land.
- Investment in the £35m transformational programme for planning will begin in 2021-2.
- Later in 2021, 'Housing to 2040' will be published: a 20-year plan to deliver good quality, net-zero housing with outdoor space, transport and digital connectivity and community services.
- There will be capital grant funding of £667.6m for affordable housebuilding in 2021-22, including £575.4m through the Affordable Housing Supply Programme, and £92.2m through local government.
- £142m of financial transactions will be used to support housing, including through shared equity schemes.
- Over £150m will be invested in fuel poverty and energy efficiency measures in 2021-2.
- The Ending Homelessness Together action plan has been refreshed, with backing of £50m from 2018-2023. Over £12m will be provided to support this in 2021-22, focusing on homelessness prevention and scaling-up Housing First.

Transport and Infrastructure

- Nearly £3.2bn will be invested across all modes of transport.
- There is a five-year commitment to maintain the active travel budget at £100.5m per year.
- There will be £1.6bn investment in bus and rail services.
- There will be £120m investment in zero emission buses over five years as part of the £2bn Low Carbon Fund.
- £15m has been budgeted in 2021-2 for free bus travel for under-19s, subject to parliamentary approval.
- The total rail services investment in 2021-22 will be £1.3 bn.
- £30m is provided for the Low Carbon Transport Loan Fund to support loans for electric vehicles and e-bikes.
- An Air Departure Tax will be introduced once a solution to the Highlands and Islands exemption is identified.
- The Capital Spending Review (CSR) and Infrastructure Investment Plan (IIP) will be published shortly after the Budget as part of the National Infrastructure Mission to increase annual investment in infrastructure by £1.56bn by 2025-26.
- The Budget notes that these measures will be enhanced by the Scottish National Investment Bank, which is being capitalised with £2bn over the next ten years, and will provide £200m fresh capital, alongside the Bank recycling its own receipts, for investment in 2021-22.

Justice

- The total justice portfolio investment will be over £3bn.
- The Scottish Police Authority will get a total funding settlement of £1.3bn in 2021-2, with a £60m uplift in the resource budget to eliminate the structural deficit, and an additional £15m to mitigate Covid impacts.
- Scottish Fire and Rescue Service (SFRS) budget increased to £343.2m
- An additional £50m is allocated for the Recover, Renew, Transform Programme, to consider proposals for the reform of the justice system.
- Victim support will increase by £1.5m and the work of the Victims Taskforce will be built on, including by evaluating the first commencement provisions for the Vulnerable Witnesses (Criminal Evidence) (Scotland) Act 2019.
- £460.2m will be provided for the Scottish Prison Service in 2021-2, including £72.8m to modernise the prison estate.

Reaction

Unison Scotland:

Speaking on the public sector pay policy for 2021-22 which was announced alongside the Scottish budget, Mike Kirby, UNISON's Scottish Secretary said: "We welcome the recognition for those on the lowest pay but 3% for those under £25k and 1% for those over falls short of a decent pay rise for public sector workers. The pandemic has shown the vital role of public sector workers across Scotland. Whether in the NHS, local government, social care or our emergency services, their effort has been heroic."

Scottish Trades Union Congress:

"Whilst it is right and proper that the pay of low paid workers should be underpinned, for most workers this increase is still below the budget uplift received by Holyrood from Westminster. Far too many of our key workers have been left out in the cold."

Scottish Labour:

"Yesterday's SNP budget statement:
Failed to deliver fair pay for social care workers.
Failed to properly invest in the economy.
Failed to support Scotland's hard-pressed councils.
Scottish Labour will continue to fight for a fair recovery for all."

Scottish Conservatives:

"This #ScotBudget lets down businesses and doesn't do enough to protect jobs. After Scottish Conservative requests, 100% rates relief has been extended - but only for three months. It's yet another slap in the face for businesses from the SNP."

CBI Scotland:

"The Finance Secretary is right to put business support and economic recovery front and centre of this year's draft Budget. With jobs, firms and livelihoods still hanging by a thread, Scotland can't afford to wait until the pandemic is over before initiating plans for a sustained recovery. Health must come first and lowering transmission rates remains the priority. Yet with so many struggling companies across Scotland, it's only right that proper consideration is given to reopening the economy when it is safe to do so."

Scottish Chambers of Commerce:

"The position of Scottish businesses has never been so precarious. The Scottish Government's announcements today are welcome but do not go nearly as far enough to avoid risk of widespread business collapse and job losses...Business will be disappointed that further details on an economic route map on how we will exit this crisis aligned with the roll out of the vaccine were not provided today. This is a critical component if businesses are to unleash the investment our country so desperately needs."

Scottish Women's Budget Group:

"Recognition of work of NHS and social care staff as 'undisputed heroes' of the pandemic is important recognition of the value of care to our society this must be backed with long term, stable funding for both health and social care is what care staff need #ScotBudget"

Adam Smith Institute:

"The SNP has tried at every turn to make the emergency of the pandemic about the urgent need for independence. So it is on one hand unsurprising it would use its budget announcement to do the same, but on the other beggars' belief it would criticise the Prime Minister for treating the Union as urgent. Kate Forbes announced a barrage of spending based on borrowing made by the British

government on their behalf and are continuing with plans to pump up public sector pay. It's a kick in the teeth for private sector workers and business owners who can't make ends meet with government restrictions on trading still in place.'

Scottish Funding Council:

'In a tight public sector funding environment, the Scottish Funding Council welcomes today's budget announcement which underlines the Scottish Government's commitment to our colleges and universities in particularly challenging times and recognises the important role they play in supporting Scotland's economic recovery and wellbeing.'

Shelter Scotland:

Today Kate Forbes MSP said Covid has 'underlined the value of a safe, secure and affordable home'. But she's chosen to cut investment in social and affordable homes by £268 million. Quality housing is a matter of life and death - and this is a huge backwards step.

Samaritans Scotland:

'We welcome the recognition by the Scottish Government of the impact of Covid-19 on Scotland's mental health and wellbeing in today's Scottish Budget. We are pleased to see this recognition matched with an increase in direct investment in mental health services. We know adults in the most deprived areas are 3 times more likely to have below average wellbeing than those in the least deprived areas. We therefore welcome increased investment in actions to reduce inequality & to improve mental health outcomes for those most vulnerable.'

NSPCC Scotland:

'We're pleased to see crucial investment in mental health services for children and YP but this needs to include support for our very youngest and most vulnerable members of society, who cannot voice the impact the pandemic has had on their mental wellbeing. #ScottishBudget'