



Summary of Draft Scottish Budget 2020-2021

For Scottish Chambers of Commerce Network

February 2020

Income Tax

- Public Finance Minister Kate Forbes confirms there will be no increase to any income tax rates this year.
- The basic and intermediate band thresholds will be increased by inflation to protect the lowest and middle-income earners.
- The higher and top rate tax threshold will be frozen.
- The Scottish government does not expect income tax divergence to increase next year, but if it does, they say it will be because the UK government is cutting taxes for high earners.

Business Rates

- The minister says more than 95% of properties will pay a lower poundage in business rates than the rest of the UK.
- On business rates, the Scottish Government will implement a new intermediate property rate between £51,000 and £95,000, which will benefit 150,000 businesses who will be affected by the non-domestic rates bill.
- The minister pivots to the Land and Buildings Transaction Tax (LBTT) and cites a new 2% band for non-residential leases.

Education & Skills

- Investing more than £180 million in raising attainment in schools, including £120 million delivered to headteachers to spend on closing the attainment gap.
- Providing an additional £15 million for front-line staff for additional support for learning.
- Investing over £310 million in student support, with additional funding to deliver enhanced student support offer assisting the most disadvantaged to fairly access further and higher education.
- Support for improving school attainment and closing the attainment gap, including £120 million for the Pupil Equity Fund - spent at the direction of schools themselves.

- Almost £645 million for the expansion of Early Learning and Childcare to 1,140 hours per year - almost double the current level;
- An above-inflation increase in resource funding for further education of 3.6% supporting Scotland's successful college sector;
- A real-terms increase in funding for higher education to maintain Scotland's global reputation; and
- A real-terms increase in the skills and training budget, supporting the drive to increase the number of apprenticeships.

Finance, Economy, Fair Work and Employability

- Increased investment in Skills Development Scotland to £224.8 million, continuing to ensure that apprenticeship opportunities are open to all and supporting the delivery of new Careers Strategy.
- A dedicated place-based approach to inclusive growth through commitment to regenerate the Clyde, with job creation, infrastructure investment, recognising the climate change opportunity and utilising the river.
- Commitment to work with Scottish Enterprise (SE) to ensure it delivers for the whole economy. This means working with business to create more, quality jobs. Ones that help reduce poverty and support businesses, communities and families across Scotland.
- A key focus for SE will be to inform and deliver the collaborative actions agreed by the Enterprise and Skills Strategic Board and to be responsive to emerging themes and priorities of the Board. As a key partner within the Strategic Board, SE will play a pivotal role in the delivery of both Scotland's Economic Strategy and the Strategic Board's Strategic Plan.
- Research and development spending will continue to increase towards the 2025 target of £1.7bn, doubling spending over a 10-year period

Health & Social Care

- Increasing investment in health and care services by more than £1 billion, with the total health portfolio budget exceeding £15 billion for the first time. Health and Sport overall has received the highest amount of funding out of all the portfolio areas.
- Providing local government with a real-terms increase in resource funding, with total overall support given through the settlement of £11.3 billion.
- Increasing investment in health and care services by over £1 billion to more than £15 billion for the first time, including allocating more than £100 million over and above Barnett consequentials to support front line spending.
- Increasing investment in Health and Social Care Partnerships to over £9.4 billion for delivery of primary and community health and care services.

- Supporting better mental health, with investment by the Scottish Government increasing to £117 million in 2020-21, and total investment, including by NHS Scotland, expected to exceed £5 billion over the life of this parliament.
- Increasing direct funding to address harm from alcohol and drugs by 59 per cent - this additional spending will support the work of new Drugs Deaths Taskforce to deliver innovative projects, test new approaches and develop a national pathway for Opiate Substitute Therapy.

Infrastructure

- The public finance minister announces an increase to the proportion of cash going to low carbon initiatives, with £1.8bn in capital investment.
- Further support sustainable public transport with £270 million of increased investment in rail services and an additional £16 million in support for concessionary travel and bus services, taking total investment in rail and bus services to around £1.55 billion in 2020-21.
- Investment in active travel will increase to over £85m. A Future Transport Fund will also see investment in low carbon transport, she adds. Overall there will be £1bn in the first year of national infrastructure mission
- £220m investment in 2020/21 for the Scottish National Investment Bank and £201m for city deals. Including provision for new deals in Stirling and Clackmannanshire, Tay Cities, Ayrshire and the Borderlands.
- Support the development of a Scotland-wide network of Regional Economic Partnerships
- Increase the International Trade and Investment budget by more than 25 per cent as part of growth plan to increase the value of exports from 20 per cent to 25 per cent of Scotland's GDP over the next 10 years and to mitigate against the impact of the UK's exit from the EU.
- Invest around £28 million in South of Scotland Enterprise in 2020-21.
- Invest an additional £16 million in support for innovation and increasing the productivity of Scotland's manufacturing industry through total investment of around £26.5 million in the National Manufacturing Institute for Scotland.
- Boost investment in colleges with a real-terms increase in resource funding rising to £640 million, raising their ability to support the economy and delivering a well-educated, skilled workforce; and
- Strengthen universities with a real term increase in funding, providing £1.14 billion to reinforce the sector's global reputation and commitment to widening access.
- Continue to invest in new schools through the £1.8 billion Scotland's Schools for the Future programme, which will see all 117 projects delivered by the summer of 2020, benefiting a total of 60,000 pupils.

- Commit over £800 million as part of total investment of over £3 billion to deliver 50,000 affordable homes over the course of the parliament.
- Producing a new infrastructure Investment Plan for the next 5 years, focusing on three core long-term outcomes of inclusive economic growth, tackling the global climate emergency and building sustainable places.
- Enhancing Scotland's digital connectivity through investment in digital and mobile infrastructure and support for new technologies.
- Extending superfast broadband access to every home and business across Scotland, making Scotland the best place in the UK to invest in digital infrastructure.

Transport

- Implementing a new National Transport Strategy which will focus on cutting carbon emissions across all modes of transport and reducing inequalities.
- Taking forward the second Strategic Transport Projects Review (STPR2) to make recommendations for transport investment in the context of the priorities of the new National Transport Strategy and in line with the sustainable Travel and Investment hierarchies.
- Continue to support the independent Infrastructure Commission for Scotland, which will, by the middle of 2020, provide a second report on the delivery of infrastructure, including the potential for the role of a Scottish infrastructure company.
- Develop infrastructure improvements on key routes including Aberdeen to Inverness, the Highland Main Line, the Far North Line and the West Highland Line.
- Progress schemes such as Levenmouth and Aberdeen to Central belt, bringing even more rail improvements to passengers communities and businesses.

Sustainability

- £1.8 billion of investment in low emission infrastructure, including a package of over £500 million of investment specifically designed to increase efforts to respond to the global climate emergency.
- £40m additional funds for the agriculture transformational programme and £64m for forestry
- £120m for a heat transition deal and capital funding of £151m for energy efficiency infrastructure.
- Incentivising local authorities to use assets and levers at disposal to reduce emissions by unlocking revenue finance investment through the green growth accelerator
- £2bn for infrastructure investment over next parliamentary term to deliver on climate change commitments.

- A £120 million Heat Transition Deal which recognises the need to boost the scale and pace of growth in decarbonising homes and buildings - including a £50 million Heat Networks Early Adopter Challenge Fund for local authorities and a £10 million fund to support hydrogen heat demonstrator projects.
- An £83 million Future Transport Fund, investing in low-carbon and transformational initiatives including low emission and electric buses, bus prioritisation, electric vehicle charging points infrastructure and the Switched on Towns and Cities programme.
- Increasing active travel investment in 2020-21 to over £85 million.
- New electric vehicle funding of £5 million to support the transition to a decarbonised police fleet and increasing to £35 million the Low Carbon transport loan fund supporting those who need to drive to transition to low emission vehicles.
- An initial £40 million investment in the Agricultural Transformation Programme, supporting those who manage land to take the actions required to deliver the Scottish Government's net-zero target.
- Additional funding for energy efficiency, bringing total spending in 2020-21 to £151 million ahead of setting out a wider programme of work on heat, energy and energy efficiency in the summer.
- Marine priorities include to safeguard and monitor marine and fisheries activity in Scotland's seas, coasts, rivers and ports - with spending increasing to £65.5m

Communities and local government

- Total Scottish government funding for local government will be £11,832.5m
- The Affordable Housing Supply Programme spending will increase to £843m
- Spending on measures to reduce fuel poverty and improve energy efficiency will increase from £119.6m to £137.1m
- The Scottish Child Payment which will be introduced paying £10 per week, per child every four weeks to eligible families with children under six
- Spending on the third sector will fall slightly to £24.6m

Economic Forecasts

- Scottish GDP is forecast to grow by 1% in 2020 and by 1.1% in 2021
- Employment is expected to remain broadly level at 2.67 million, with an unemployment rate of 4%
- Average earnings are forecast to grow by 3% in 2020 and by 3.1% in 2021
- The projections are based on the [Scotland's Economic and Fiscal Forecasts](#) document drawn up by the Scottish Fiscal Commission