

Performance & Resources Committee Meeting

Date of Meeting	Wednesday 31 March 2021
Paper Title	Scottish Budget 2021-22
Agenda Item	18
Paper Number	PRC4-L
Responsible Officer	Jim Godfrey, Finance and Resources Director
Recommended Status	Disclosable
Action	For Noting

1. Report Purpose

- 1.1. To provide the Performance and Resources Committee with the latest information regarding the indicative funding for 2021-22.

2. Recommendations

- 2.1. The Committee is asked to **note** the Scottish Budget 2022-22 issued by the Scottish Government and subsequent analysis by Colleges Scotland.

3. Report

- 3.1. On 28 January 2021, the Scottish Government published its Budget for 2021-22. This was approximately two months later than has been the historic norm and was due to a delay in the UK Government publishing its own budget.
- 3.2. The Scottish Government Budget was approved by the Scottish Parliament on 9 March 2021. Full details of the Scottish Budget are available via the following link:
<https://www.gov.scot/budget/>
- 3.3. Following publication of the Scottish Government Indicative Budget, Colleges Scotland issued a budget analysis and press release. A copy of the analysis, and press release, are provided as Annexes to this document.
- 3.4. It is evident that the Scottish Government intends to provide additional funds to the college sector in 2021-22 and this is welcome. However, it is also apparent that the additional funds will need to be used to meet additional cost pressures, for example:
- The cost of annual pay settlements. Public sector pay policy (2021-22) indicates that increases should not exceed 3% for staff earning up to £25,000 and 1% (to a maximum of £800) for all other staff. In addition, there will be the associated on-costs for National Insurance and Pension contributions. However, it is now expected that the public sector pay policy will be amended as a result of changes agreed by MSPs when the final budget was approved on 9 March 2021.

3.5. It is also apparent that funds will be provided for specific purposes i.e. National Transitions Training Fund, Young Persons Guarantee, mental health, digital poverty, student support etc. These additional funds are welcome but are ring-fenced for specific purposes.

3.6. In conclusion, the following comments are offered:

- The delay in publication of the UK, and Scottish Government, budgets has reduced the time available for the college sector, and Glasgow college region, to review the budget options.
- The increased allocation to the college sector is welcome. However, this is offset by some additional costs and new priorities.

4. Risk Analysis

4.1. The Budget for 2021-22 has significant implications for the financial sustainability of the Glasgow college region. The purpose of this paper is to provide information to the board to assist management of the risk that “Financial sustainability is jeopardised by a reduction in income and/or an increase in costs.” (Risk 008)

5. Equalities Implications

5.1. There are no specific equalities implications associated with this paper.

6. Legal Implications

6.1. There are no legal implications associated with this paper.

7. Resource Implications

7.1. The indicative funding available to the sector is outlined in the Scottish Government Budget for 2021-22.

8. Strategic Plan Implications

8.1. The provision of funding for 2021-22 provides the resources to support the delivery of the Regional Outcome Agreement and implementation of the Glasgow Region Strategic Plan for College Education.

Thursday, 28 January 2021

Comment on the Draft Scottish Budget

Commenting on the Draft Scottish Budget announced today (Thursday), Shona Struthers, Chief Executive of Colleges Scotland, said:

“Colleges Scotland welcomes the Draft Budget, which recognises the need for investment in learners, staff and our colleges across the country: this is a good step towards addressing financial sustainability.

“In cash terms, today’s Budget gives the sector an additional £35.7million, an increase of 5.6% on last year’s revenue resource allocation. This is positive, not only because of the day-to-day work colleges deliver across the country but also because of the severe and ongoing impact of the pandemic.

“The Draft Budget sets out that an anticipated £500million of COVID-19 consequential funding is coming to Scotland, and we would fully expect that colleges would benefit further from this. There are financial challenges for the sector that we are dealing with now in terms of pandemic costs, which come on top of the existing investment needed in every college on an ongoing basis. Recovering from the pandemic will require substantial additional investment to help to continue to deliver high quality teaching and learning – this has never been more important as Scotland looks ahead to rebuilding the economy and increasing productivity outputs.

“Scottish Government clearly recognises the role colleges have in delivering qualifications, skills and support for 239,000 learners and the contribution colleges make now, to productivity, and in the future, for economic recovery. As always, we will work closely with Scottish Government and Scottish Funding Council on behalf of the college learners to source additional capital funding for the sector. Students moving into the workplace of the 21st century deserve high quality facilities, world-class teaching and cutting-edge skills training which we are well able to deliver with adequate investment.”

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Summary of Scottish Budget 2021-2022

For Scottish Chambers of Commerce Network

January 2021

Income Tax

- Public Finance Minister Kate Forbes confirms that 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.

Business Rates

- The Basic Property Rate ('poundage') will be reduced to 49 pence, the same as in 2019-20.
- The 100% rates reliefs for the Retail, Hospitality, Leisure and Aviation sectors (RHL relief) will be extended for at least three months from April 2021. The Scottish Government would match the UK Government's RHL reliefs should the latter bring forward an extension to their equivalent RHL relief that generates consequential funding.
- 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.
- In order to provide investor certainty and also respond to the findings of the Tretton Review of Small Scale Hydro Plant and Machinery, 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, as part of the Heat in Building Strategy, 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 following reliefs which are set annually:

- Small Business Bonus Scheme relief, which has lifted over 117,000 properties out of rates altogether as at 1 July 2020.
- Transitional Relief, which caps annual rates bill increases at 12.5% for Aberdeen City and Aberdeenshire offices and for all but the very largest hospitality properties across Scotland.

Finance, Economy, Fair Work and Employability

- £17 million additional funding for enterprise agencies, the launch of a £100 million Green Jobs Fund, and £51.9 million of dedicated help for the tourism sector including doubling the Rural Tourism Infrastructure Fund.
- Local Authority Discretionary Fund will be doubled to £60 million in this financial year to allow councils to respond to local needs. In addition, businesses eligible for the Strategic Framework Business Fund will receive full Level 4 payments on 22 February, regardless of any future changes to local restrictions.
- A new £55 million programme to support town centres and community-led regeneration projects
- An extra £200 million for city and regional deals and an additional £100 million for digital connectivity

Education & Skills

- £1.1 billion to drive forward national mission for jobs, and equip future workforce with the skills they need, including an additional £125 million of investment targeted at employment support, including the National Transition Training Fund and Young Person's Guarantee, alongside £230.9 million for Skills Development Scotland.
- £2.7 billion in education and skills – alongside significant funding delivered through the local government settlement – including £125 million to help close the attainment gap, and £1.9 billion for universities and colleges.

Infrastructure and sustainability

- £6 billion of capital investment in 2021-22 through the National Infrastructure Mission – including £667.6 million grant funding to continue programme of affordable house building, £142 million to support housing support schemes including shared equity and almost £100 million for superfast digital connectivity.
- £1.6 billion for rail and bus services and £100.5 million for active travel to consolidate changes to healthy, green travel options seen during the pandemic.
- Investment of nearly £1.6 billion to transform heat and energy efficiency of buildings in Scotland, whilst directly supporting up to 5,000 jobs.

- £60 million to support the industrial and manufacturing sectors during a green economic recovery to overcome private sector investment and transition challenges, focused on decarbonisation.
- The £62 million Energy Transition Fund to provide a package of investment for the North East that will support the energy sector and help us make significant progress on energy transition, while promoting sustainable inclusive growth, as we move toward net zero by 2045.
- A £70 million fund to improve local authority recycling collection infrastructure, and develop a new route map to reduce waste and meet waste and recycling targets for 2025, as part of growing a circular economy.
- Investing over £500 million in active travel over the next five years and a further £500 million in bus priority infrastructure.
- £150 million 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.
- Investing over £70 million to support a transformative shift to zero emission mobility, including in electric vehicle charging, hydrogen, research and innovation, and consumer loans.
- £120 million for Zero Emission Buses over the next five years, driving forward a fully decarbonised future for Scotland's bus fleet and supporting the Scottish supply chain.
- A new £180 million Emerging Energy Technologies Fund to support the development of hydrogen and Carbon Capture and Storage (CCS), and add impetus to the development of Negative Emissions Technologies.
- £50 million to create Active Freeways, providing sustainable transport infrastructure between settlements and major trip attractors.

Local government

- £11.6 billion for local government, which represents a £335.6 million increase in core revenue funding, including the £90 million to compensate local authorities which choose to freeze Council Tax, plus £259 million in one-off funding.