



## Audit Scotland report: Scotland's new financial powers

**Committee**            Audit and Standards

**Date of meeting**    30 November 2018

**Date of report**    25 October 2018

### Report by Assistant Chief Executive

#### 1. Object of report

To advise the committee on the issue of an Audit Scotland report titled '*Scotland's new financial powers*'.

#### 2. Background

##### Audit Scotland report

On 16 October 2018, Audit Scotland published a report titled '*Scotland's new financial powers – Operation of the Fiscal Framework*'.

The report says that the Scottish Parliament's new financial and social security powers and responsibilities from the 2012 and 2016 Scotland Acts are fundamentally changing the Scottish public finances. Many of the components of the Fiscal Framework are now operating, including tax raising, borrowing and reserve powers.

The report adds that the Scottish budget is becoming increasingly complex. It is subject to greater uncertainty and volatility than when the majority of its funding was relatively fixed through the block grant from the UK Government. The way the Scottish economy performs relative to the rest of the UK now has a greater influence on public finances than ever before. The Scottish Government has more choice over tax and spending, and more decisions to make about how and when to use its financial powers.

The report adds that the Scottish Parliament's revised budget process responds to these new fiscal challenges and is being introduced for the 2019/20 budget. Understanding the opportunities and risks associated with the operation of the Fiscal Framework, and how these are unfolding, is critical to the effective oversight of the Scottish public finances.

The report can be found at: <http://www.audit-scotland.gov.uk/report/scotlands-new-financial-powers-0>

#### 3. Outline of findings

The Scottish Government grant funds SPT's capital and revenue budgets.

The Audit Scotland report provides a briefing on how the Fiscal Framework is operating in practice. It reflects on experience during 2017/18, the first full year of operation of income tax, borrowing and reserve powers, and describes the range of risks that are now affecting the Scottish budget. The briefing is in three parts:

- **Part 1** is an overview of how the Scottish budget operated during 2017/18, describing the main elements of the budget, including the funding that was available during the year and how it was spent;
- **Part 2** summarises how each of the main components of the Fiscal Framework is now operating, and how each is affecting the Scottish budget. This sets out the components that are yet to be brought into effect and the impact that they will have;
- **Part 3** provides an overview of the main risks that are now affecting the Scottish budget, and what these mean for the management of the Scottish public finances.

Detailed information about the budget, tax revenues and public spending is provided in a number of financial reports published by the Scottish Government including draft budget documentation, audited accounts, the newly introduced Fiscal Framework Outturn Report.

#### 4. Conclusions

The Scottish Government grant funds SPT's capital and revenue budgets.

Audit Scotland published a report titled '*Scotland's new financial powers*'.

#### 5. Committee action

The committee is asked to note the contents of this report and the Audit Scotland report titled '*Scotland's new financial powers*'.

#### 6. Consequences

Policy consequences	<i>None.</i>
Legal consequences	<i>None.</i>
Financial consequences	<i>None.</i>
Personnel consequences	<i>None.</i>
Social Inclusion consequences	<i>None.</i>
Risk consequences	<i>As detailed in the report.</i>

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**Title** Assistant Chief Executive

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