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# The outlook for overall and local government funding

@TheIFS

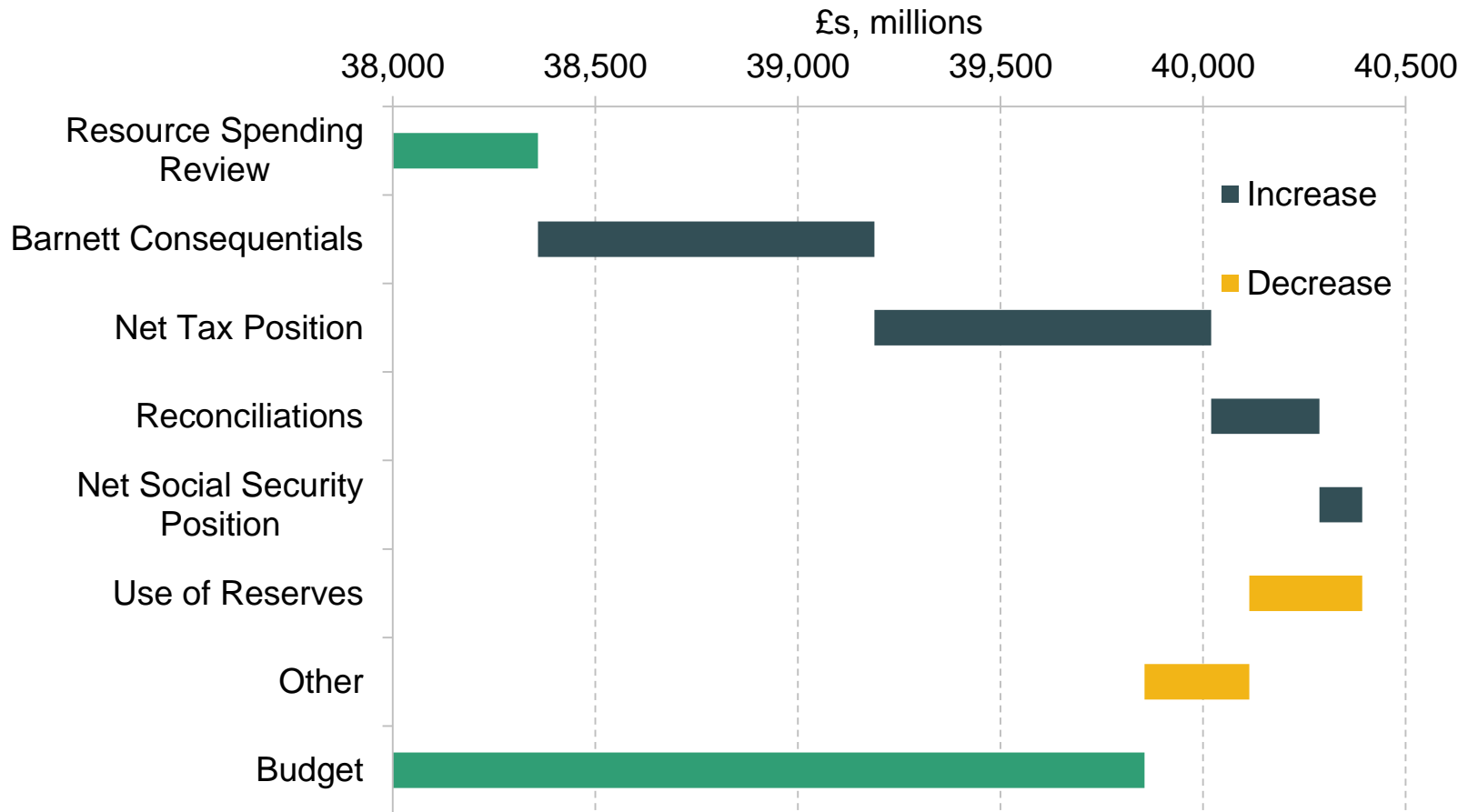


Economic  
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# The Budget for 2023-24

- **Funding in 2023-24 is about £1.5 billion higher than set out in May 2022's Resource Spending Review (RSR)**
  - Additional UK government funding and higher forecast tax revenues

# Change to funding in 2023-24 between RSR and Budget

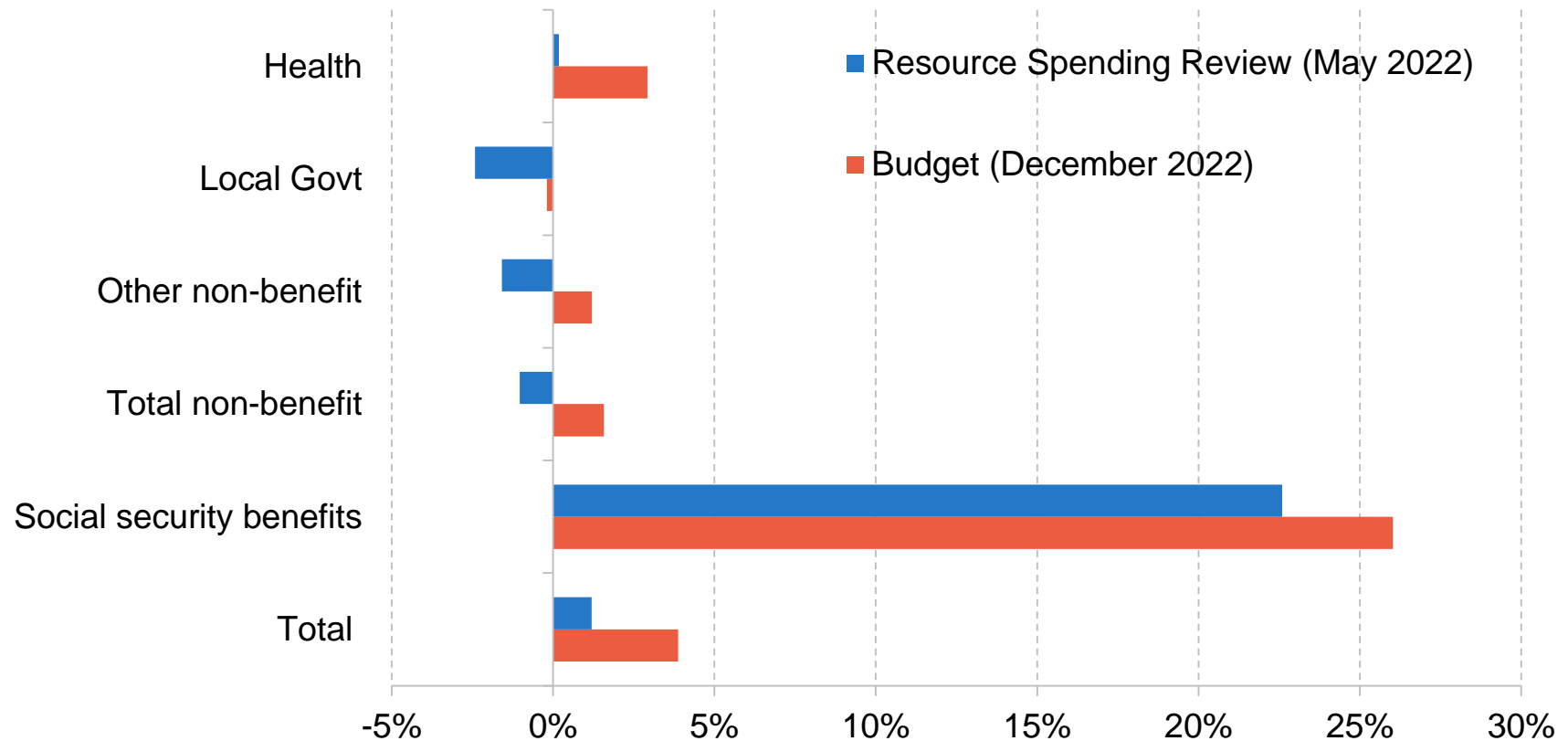


Source: Figure 2.2 of the IFS Scottish Budget Report 2023-24.

# The Budget for 2023-24

- **Funding in 2023-24 is about £1.5 billion higher than set out in May 2022's Resource Spending Review (RSR)**
  - Additional UK government funding and higher forecast tax revenues
  - Higher than previously expected inflation will eat into this increase
- **Nearly all areas of spending will increase relative to their initial 2022-23 Budgets**
  - Big change compared to RSR last May

# Planned real-term change in spending between 2022-23 and 2023-24 Budgets

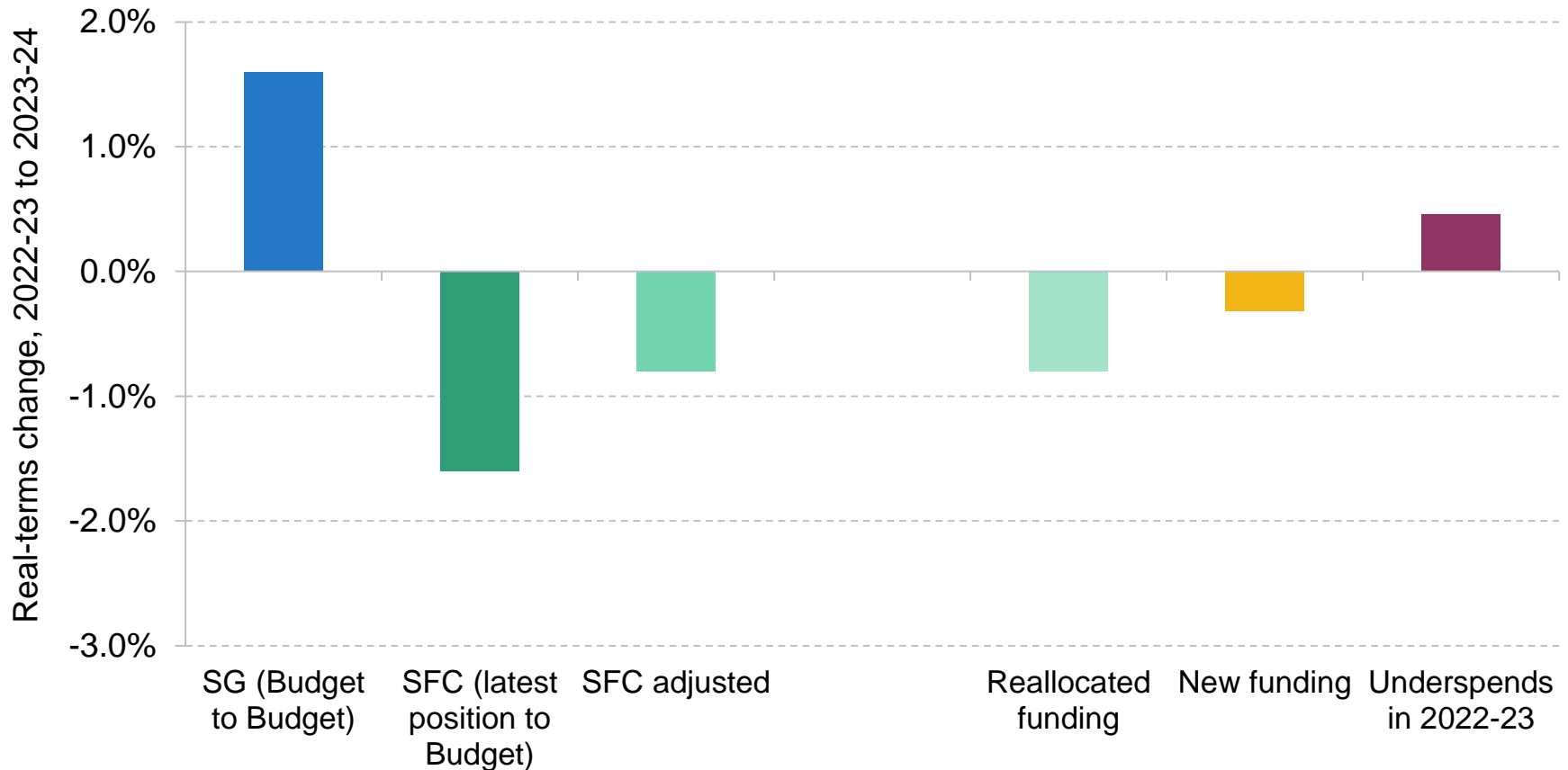


Source: Figure 2.1 of the IFS Scottish Budget Report 2023-24.

# The Budget for 2023-24

- **Funding in 2023-24 is about £1.5 billion higher than set out in May 2022's Resource Spending Review (RSR)**
- **Nearly all areas of spending will increase relative to their initial 2022-23 Budgets**
- **After accounting for in-year top-ups to Budgets this year, plans imply a real-terms reduction in overall non-benefit spending**

# Spending set to fall after accounting for in-year top-ups in 2022-23



Source: Figure 2.3 of the IFS Scottish Budget Report 2023-24, with scenarios for teachers' pay.

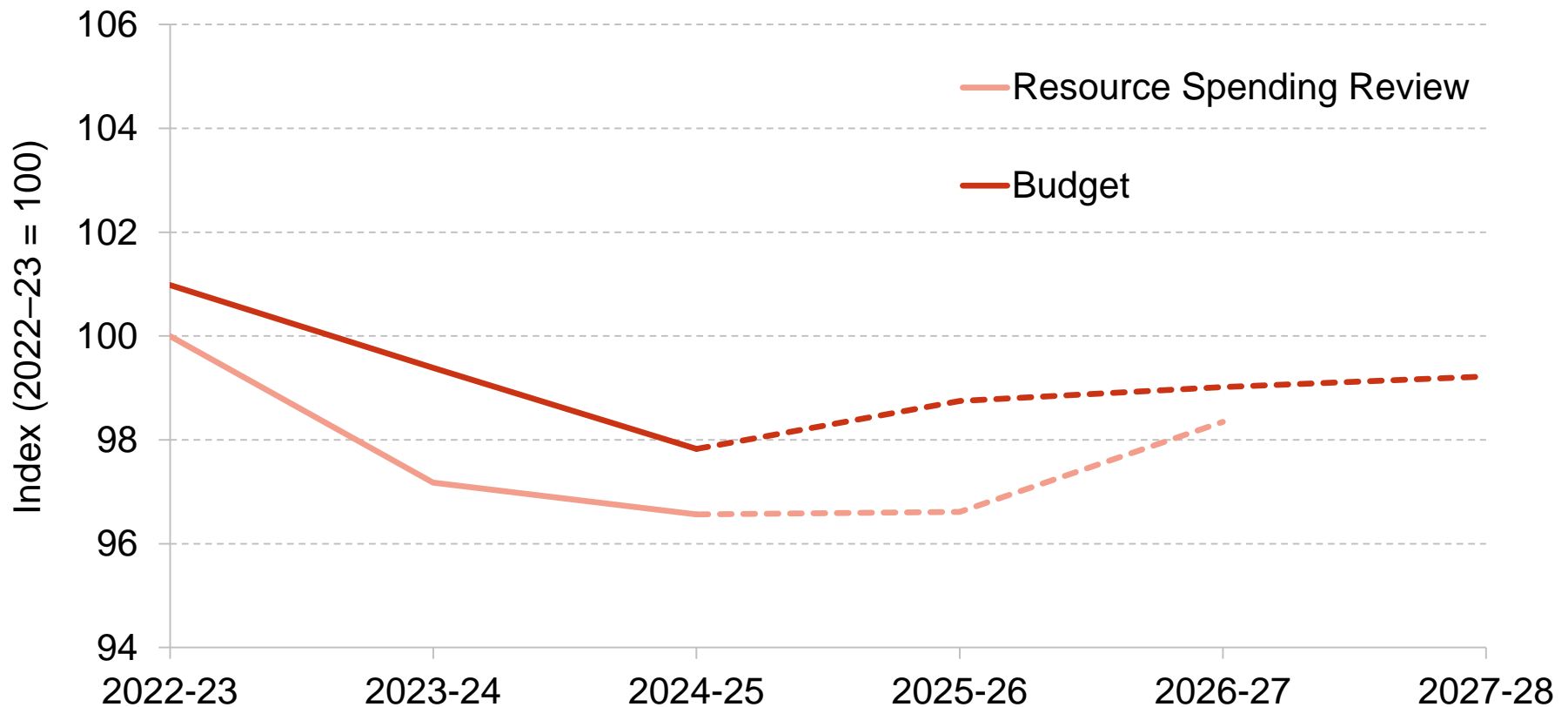
# The medium-term outlook

- **Funding is set to be higher than previously projected over the next four years – but still lower in 2027 than 2022**



# Funding is set to fall further in 2024-25 and still be below today's levels in 2027

## Real-terms resource funding (2022–23 = 100), non-benefit spending

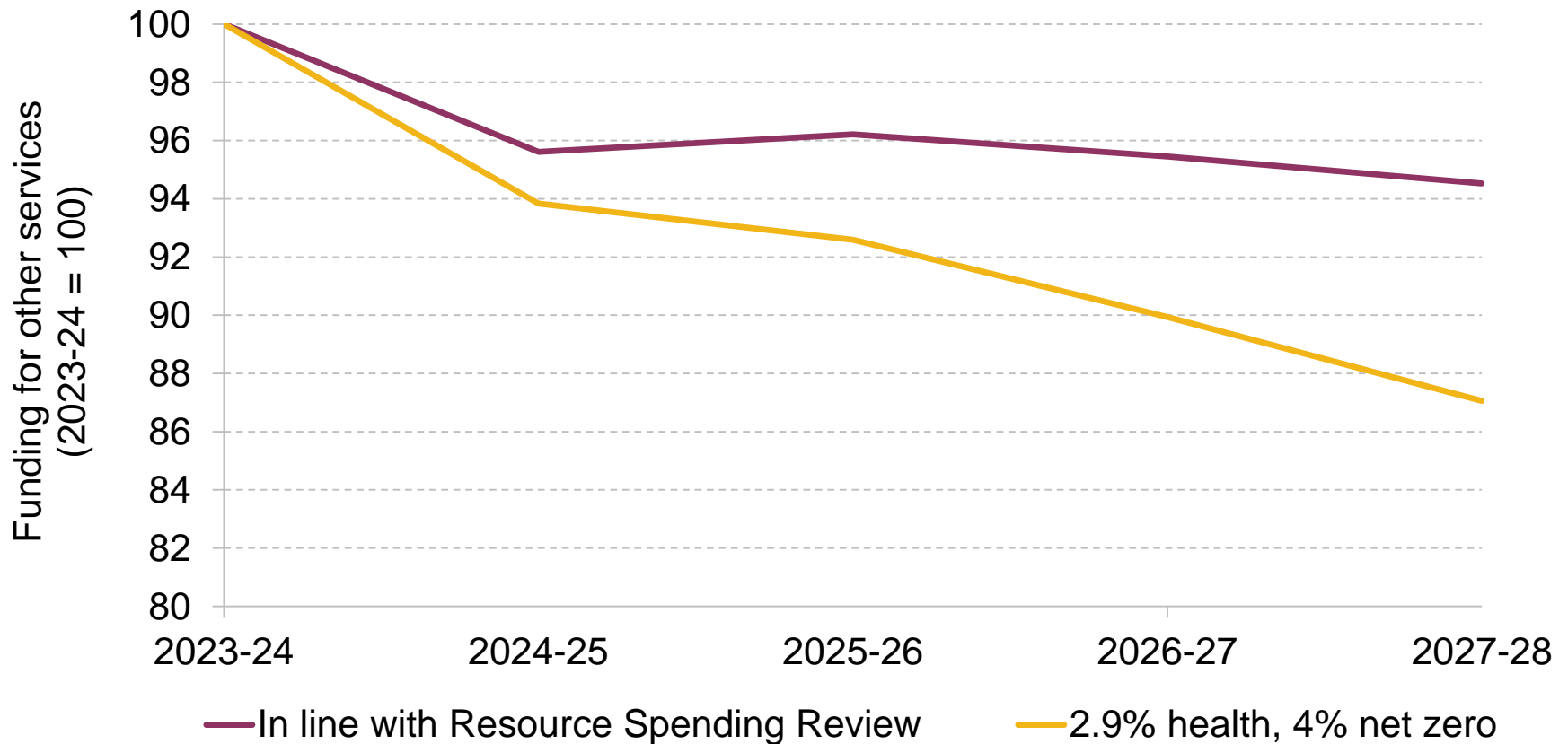


Source: Figure 2.3 of the IFS Scottish Budget Report 2023-24.

# The medium-term outlook

- **Funding is set to be higher than previously projected over the next four years – but still lower in 2027 than 2022**
  - Assumes improved income tax position (uncertain)
  - But deliberately cautious on available UK government funding
  - Funding for teachers' pay less impact on medium-term outlook
- **Prioritising health and 'net zero and transport' as in 2023-24 Budget would require very difficult choices for other services**

# The bigger the increases to priority areas like health and 'net zero' the bigger the cuts to other services

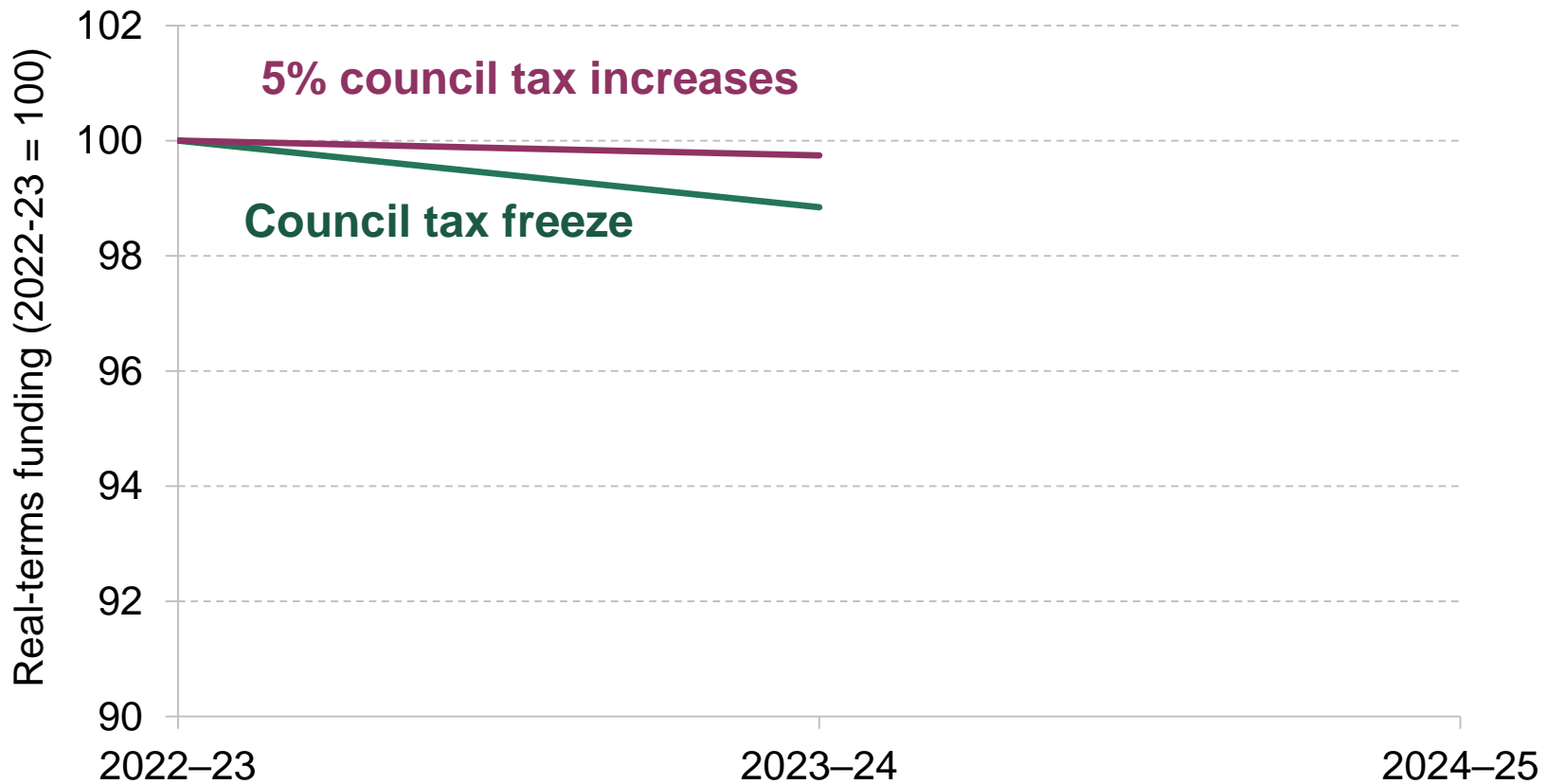


Source: Figure 2.5 of the IFS Scottish Budget Report 2023-24.

- **Scottish councils' funding was cut by less than English councils' during the 2010s**
  - Biggest beneficiary of this was spending on school and early-years childcare, where by 2021-22 spending per pupil was 25% (£1,700) higher than in England, up from 4% in 2009-10
  - Spending on social care also increased, but spending on most other services fell by over a quarter during 2010s
- **Outlook for Scottish councils' funding over the next two years tougher than for English councils**

# Budget figures imply real-terms cuts to council funding...

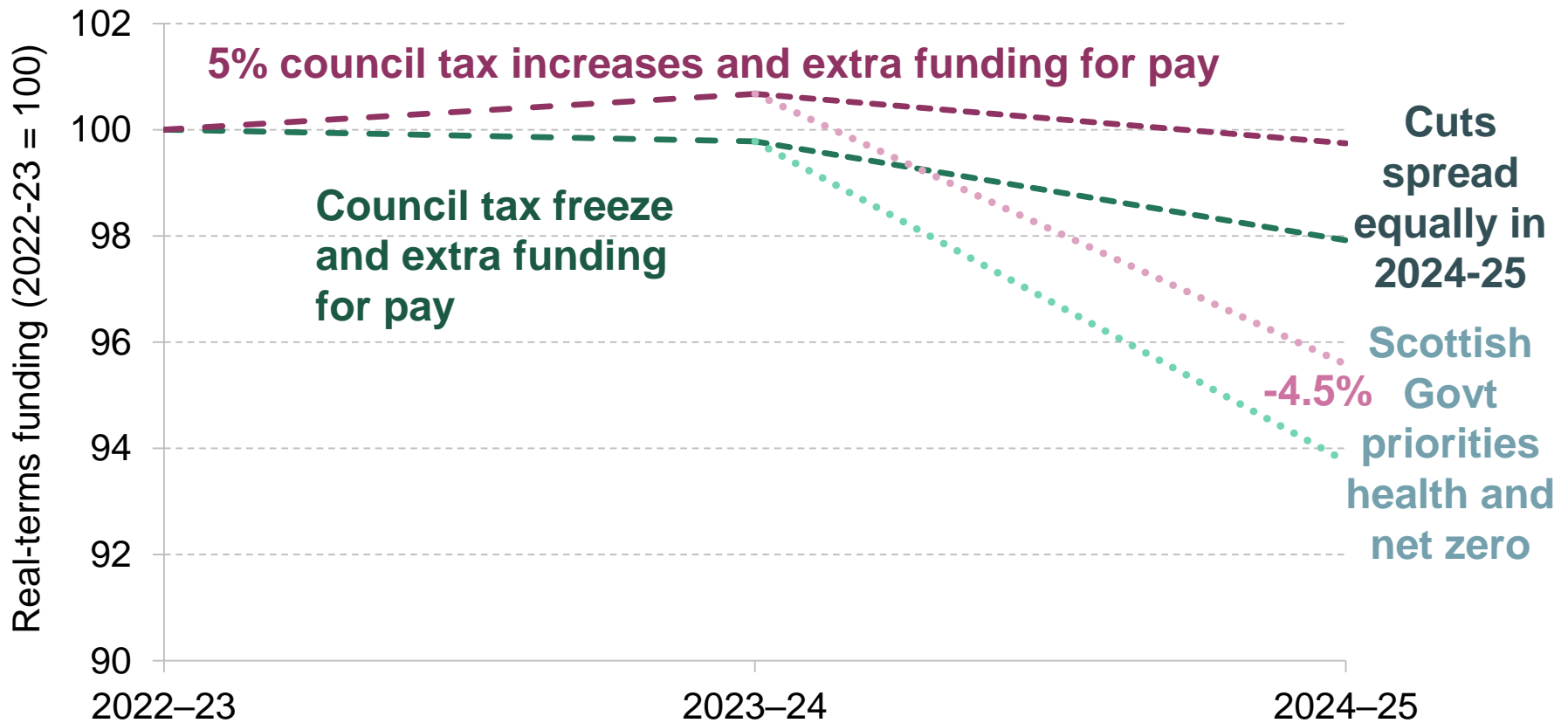
## Projected Scottish council funding from grants and council tax, real-terms



Source: Figure 4.4 of the IFS Scottish Budget Report 2023-24.

# ... extra funding for pay may mean small increase in 2023-24... BUT...

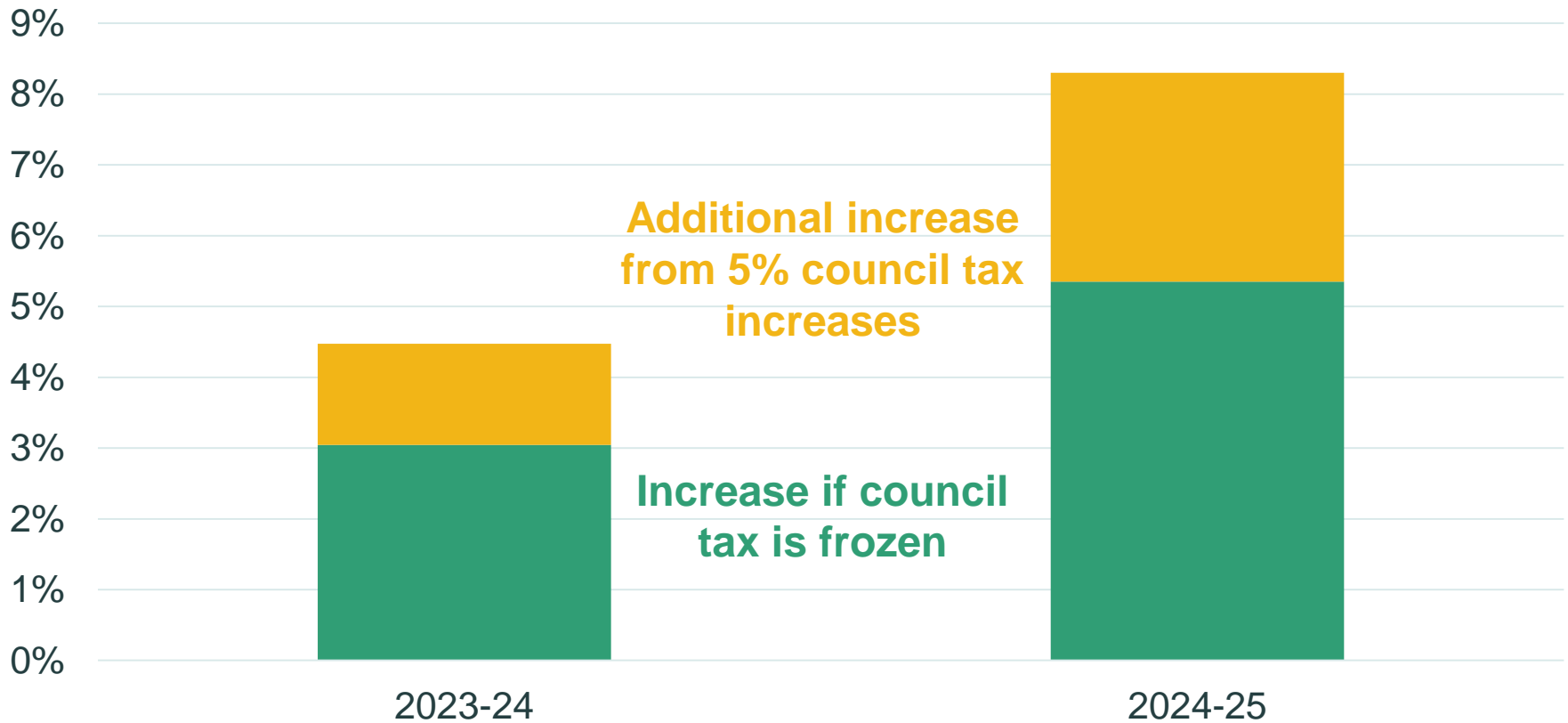
## Projected Scottish council funding from grants and council tax, real-terms



Source: Figure 4.4 of the IFS Scottish Budget Report 2023-24.

# English councils funding set to see funding rise even if council tax frozen IFS

**Projected real-terms increase to English councils' and schools core funding from 2022-23**



Source: IFS Scottish Budget Report 2023-24.

- **Scottish councils' funding was cut by less than English councils' during the 2010s**
- **Looking ahead, Scottish councils likely to see real-terms cuts to funding, while English councils will see a boost**
  - Boosting schools spending will mean bigger cuts to council services that often bore the brunt of 2010s cuts
  - Each additional 1% for schools and early-years childcare means almost 1% less for other services



- **The Scottish Government's Budget faces short, medium, and long-run challenges**
  - 2023-24 is currently set to see a cut in non-benefit spending
  - Funding for non-benefit spending projected to be lower in 2027 than in 2022
  - The long-term 'Barnett squeeze'
- **Local government funding is set to be squeezed while it rises in England – at least partially reversing trends in the 2010s**
- **2023-24 Budget and medium-term projections are based on an improvement in tax revenue performance – uncertain**

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