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A Budget for growth and reform

Swinney announces £500 million boost for NHS and freezes Income Tax and Council Tax.

In a budget that will promote growth in the economy and reform public services, Deputy First Minister John Swinney today (Wednesday) announced an injection of an additional half a billion pounds for health boards, taking total spending to a record of nearly £13 billion.

And, to support the most significant reform since the foundation of the NHS, Mr Swinney announced £250 million for the integration of health and social care, ushering in a fundamental realignment of the way the NHS and Local Government deliver care.

Mr Swinney also set the Scottish Rate of Income Tax (SRIT) for the first time and, in a move designed to protect the poorest taxpayers, the Deputy First Minister froze income tax by proposing a rate of ten pence. This means total income tax rates remain unchanged.

To protect household budgets already hit by UK Government austerity, the Budget proposes the 9th successive freeze in Council Tax – a saving of £1,500 for an average band D household.

Mr Swinney also announced he is protecting the Small Business Bonus - sheltering around 100,000 small firms from business rates – and investing in the future economic health of the nation through £345 million for research and innovation and £1 billion of investment in higher education. In order to support this investment, he announced he is asking Scotland's biggest businesses to pay more by increasing the Large Business Supplement.

Deputy First Minister John Swinney said:

“The spending plans that I am announcing today will equip the country for the future and lay the foundations for the reforms that will define the next parliament - reforms that will reshape our health and social care services, deliver a step change in educational attainment, deliver a fairer system of local taxation and use new powers over tax and welfare in a way that supports our central purpose.

“This Budget is driven by two themes: supporting inclusive growth and protecting and reforming public services. We will deliver inclusive growth by focusing on investment in innovation, infrastructure, education and skills, and by maintaining a competitive business environment.

“And we will protect and reform public services by delivering on the Christie Commission approach of service integration at local level, prevention and improving outcomes for individuals.

“The current financial landscape presents us with a challenge and a choice. Scotland can meekly accept these UK Government cuts or we can rise to the challenge and chose a Scottish alternative to austerity. We choose to rise to the challenge. We choose the Scottish alternative. We choose to put reform and growth at the heart of this Budget.”

Notes to Editors:

View the full budget document at www.gov.scot/Publications/2015/12/9056

Key announcements from the budget are:

Protecting and reforming public services

The Scottish Government is determined to protect and reform vital public services and this Budget delivers that objective:

- Health board spending will increase by over £500 million giving a total planned investment of nearly £13 billion next year (6.5 per cent increase on comparable figures last year), providing a £250 million transformative new investment in the integration of adult health and social care services: the most significant reform in health and care since the creation of the NHS in Scotland in 1948
- The Scottish Police Authority will see an increase in resource budget of £17.6 million, fulfilling the pledge to protect the budget in real terms in every year of the next Parliament - a boost of £100 million over the period. This Draft Budget goes further by delivering an additional £55 million to support a new phase of change and transformation funding for the police now that the initial consolidation phase of reform is largely complete
- Local Government will receive a strong but challenging financial settlement, strengthened by our joint working on health and social care integration and on improving educational attainment
- The core Scottish Government budget for the Third Sector will be protected to ensure it continues to play a key role in supporting communities and in the delivery of public services, third sector activity and infrastructure

Supporting innovation-led economic growth and protecting small businesses

Investing in excess of £345 million to support innovation, a key driver of growth, competitiveness and productivity, and work across Government, partners and stakeholders to further align our approach:

- The Scottish Funding Council will provide £120 million to eight Innovation Centres bringing together universities, research institutes and businesses
- £345 million investment in research and innovation to achieve more significant economic impact
- Reform across Enterprise Agencies, Scottish Funding Council and Universities to align a Scottish approach to innovation
- Protect the Small Business Bonus Scheme that is delivering rates reductions for nearly 100,000 firms across Scotland but recognises that, in the face of a declining rate of receipts from Non-Domestic Rates, it is reasonable to make a modest increase to the Large Business Supplement and make changes to some other reliefs

Improving infrastructure and increasing house building

A sustained and consistent public sector investment programme in infrastructure will be taken forward through:

- Housing investment of £690 million, with an increase of around £90 million in affordable housing compared with 2015/16 – the first step in our commitment to provide 50,000 new affordable homes by 2020-21
- Further investment of £115 million in digital infrastructure to include next generation broadband access to 95 per cent of the population by 2017
- Delivery of the Queensferry Crossing and almost £1 billion for other projects, including completion of the electrification of the Edinburgh-Glasgow rail line and Aberdeen Western Peripheral Route

Increasing the focus on educational attainment

Improving educational attainment is vital in harnessing economic potential in a way that delivers prosperity, equality and benefits for all. This Budget details:

- Over £1 billion investment for higher education and protect investment for further education, giving access to a wide a range of opportunities for school leavers
- £33 million investment in attainment this year including support for the Scottish Attainment Challenge, to close the gap between our most and least deprived areas
- 600 hours free high-quality early learning and childcare offered to all three and four year olds and vulnerable two year olds, moving to 1140 hours by the end of the next parliament
- deliver high quality schools and community health facilities through our new Hub programme of revenue-funded infrastructure investment

Mitigating against UK Government cuts

The Scottish Government will do all it can within its power and means to protect the most vulnerable in society from the UK Government's austerity programme:

- £38 million for the Scottish Welfare Fund, up to £343 million for Council Tax Reduction Scheme and £35 million to ensure no-one pays the Bedroom Tax
- Maintain commitment that higher education is based on your ability to learn and not your ability to pay. Free prescriptions and regular eye checks, along with free concessionary travel
- Free personal and nursing care is maintained as a vital part of the reformed community-based health and social care service
- Freeze Council Tax for the ninth consecutive year, ahead of responding to the Commission on Local Taxation
- A public sector pay policy that supports low-income earners, including a Scottish Living Wage requirement, and continue the No Compulsory Redundancy policy
- Ensuring free school meals continue for children in early learning and childcare and P1-P3

For more information contact:

SG Communications

Email: SGCommunications@scot.gov.uk