

Template for costing policies of opposition parties

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Description of policy
<p>“Well I want full fiscal autonomy for the Scottish government. I want us to be responsible for raising our own revenues and deciding how those revenues are spent. But you know I think what is really important – if we’re going to be told that we’ve got home rule, then the proposals really have to live up to that...”, Nicola Sturgeon, The Andrew Marr Show, 25 January 2015</p> <p>http://news.bbc.co.uk/1/shared/bsp/hi/pdfs/25011502.pdf</p>
Additional policy assumptions
<p>The costing should present the difference in spending undertaken in Scotland under the current fiscal arrangements and under full fiscal autonomy.</p> <ul style="list-style-type: none">• Assume that Scotland “raising its own revenue” means that:<ul style="list-style-type: none">○ all onshore taxation is either devolved to Scotland (or that the share of tax collected that is attributable to Scotland is given to the Scottish Government).○ the Scottish Government receives a geographic share of North Sea oil tax revenue.• Assume that “deciding how revenues are spent” means all spending is devolved apart from that on defence, foreign affairs and debt interest.• Assume the Scottish Government pays the UK Government a population share based contribution towards those areas of spending that are not devolved.• Assume revenue and spending follow the same path as set out in Budget 2015 and assume per head Scottish borrowing is the same per head as the level of UK borrowing set out in Budget 2015.
Additional technical modelling assumptions or judgements required
<p>Our high level approach is to use the Scottish share of UK tax and spending (per head) in 2013-14 and assume that this remains constant through the forecast period.</p> <p>The Scottish Government estimates the tax and spending attributable to Scotland. The latest estimates, for 2013-14, were published in Government Expenditure and Revenue Scotland (GERS) in Mar-15:</p> <ul style="list-style-type: none">• For spending, this is based on Scotland’s share of geographically identifiable spending (such as devolved spending and most welfare) published by HM Treasury in Country and Regional Analysis in Nov-14, with the Scottish Government adding a share of geographically non-identifiable spending¹. For most geographically non-

¹ Full details of the Scottish Government’s methodology for estimating spending attributable to Scotland is available at <http://www.gov.scot/Resource/0047/00472871.pdf>.

identifiable spending (including defence, foreign affairs and debt interest) the Scottish Government adds a population share to Scotland's spending.

- For tax, the Scottish Government has developed methodologies for estimating Scotland's share of onshore and offshore tax². For offshore tax, this includes both a population share and a geographic share.

Under current fiscal arrangements, we assume that Scotland's per head spending remains at a constant (110.7%) share of UK per head spending over the forecast period. The constant share is based on Scotland's share of UK spending in 2013-14 published in GERS. The UK spending forecast is taken from the OBR's Mar-15 Economic and Fiscal Outlook.

Under full fiscal autonomy (as set out by the additional policy assumptions), Scotland's spending would be determined by Scottish tax and a population share of UK borrowing. We assume that Scottish onshore tax per head remains at a constant (97.0%) share of UK onshore tax per head over the forecast period. We further assume that Scottish offshore tax remains at a constant (83.8%) share of UK offshore tax. The constant shares are based on Scotland's 2013-14 shares of UK onshore and offshore tax published in GERS. The UK tax forecasts are taken from the OBR's Mar-15 Economic and Fiscal Outlook. To determine a population share of borrowing, we have used Scotland's population share as projected in the ONS 2012-based principle population projections. The UK borrowing forecast is taken from the OBR's Mar-15 Economic and Fiscal Outlook.

If needed, information required on distributional effects of the policy

None requested

Cost/Revenue to the Exchequer over five years

The scorecard impact on Scotland's spending over the next five year period is set out below (negative indicates a reduction):

	2015-16	2016-17	2017-18	2018-19	2019-20
Total	-£7.7bn	-£7.8bn	-£7.8bn	-£7.9bn	-£8.4bn

Distributional effects (if none requested, any significant):

It is not possible to determine distributional effects in advance of further policy decisions on how this reduction in funding would be dealt with by the Scottish Government.

Comparison with current system (if applicable):

This costing provides a comparison with the current system.

² Full details of the Scottish Government's methodology for estimating revenue attributable to Scotland is available at <http://www.gov.scot/Resource/0047/00472870.pdf>.

Other comments (including other Departments consulted):	
<i>To be completed by Permanent Secretary's Office</i> Date costing signed off:	26 March 2015
<i>[If applicable]</i> Date revised costing signed off:	