

SEVENTH ANNUAL REPORT ON THE IMPLEMENTATION OF THE SCOTLAND ACT 2016

May 2023

CP 846



The Seventh Annual Report on the Implementation of the Scotland Act 2016

Presented to Parliament
by the Secretary of State for Scotland
by Command of His Majesty

May 2023



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ISBN 978-1-5286-4118-0

E02914320 05/2023

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

CONTENTS

Chapter		Page
Foreword		2
1.	Introduction	3
2.	Implementation Progress	5
3.	Income Tax	11
4.	Other tax powers and fiscal provisions	14
5.	Borrowing powers	16
6.	Welfare powers	17
7.	Other sections of the Scotland Act 2016	19
8.	Effect of new powers on the Scottish block grant	22
9.	Other activities towards implementation of the Fiscal Framework	23

FOREWORD



The Seventh Annual Report on the Implementation of the Scotland Act 2016 marks another year of progress in the implementation of the transfer of powers to the Scottish Parliament and the Scottish Government. This Report demonstrates the UK Government's commitment to implementing the Smith Commission's recommendations in full.

Since February 2019, the Scottish Parliament has been able to legislate in every area where the Scotland Act 2016 has given it power to do so, making it one of the most powerful devolved legislatures in the world. This extensive list of powers includes the power to set rates and bands of income tax, create new benefits in devolved areas, and to legislate on a variety of new areas - such as the management of the Crown Estate.

I am pleased to say that, this year, substantial progress has been made on the transfer of welfare powers, including the implementation and rollout of the Adult Disability Payment. This is the largest and most complex devolved benefit to date. Looking ahead, work has commenced to develop the changes needed to support the Scottish Government's planned introduction of Carer Support Payment, later this year, which will replace Carer's Allowance in Scotland.

This Report also covers the upcoming review of the Fiscal Framework and I know His Majesty's Treasury and the Scottish Government will continue to work collaboratively on this important work.

I am confident that the UK and Scottish Governments continue to work together on the implementation of the Scotland Act 2016, and I look forward to another year of progress ahead.

THE RT HON. ALISTER JACK MP
SECRETARY OF STATE FOR SCOTLAND

CHAPTER 1

INTRODUCTION

Scope and Content of Report

1. This report on the Scotland Act 2016 is the seventh published since the Act received Royal Assent on 23 March 2016.
2. The Scotland Act 2016 devolves a range of further powers to the Scottish Parliament, and sets out a range of financial powers and measures. This report provides an update on the implementation of the following sections:
 - devolution of Income Tax powers including the power to set rates and bands on earned income;
 - assignment of Value Added Tax (VAT);
 - devolution of air passenger tax;
 - devolution of aggregates levy; and
 - the power to borrow.
3. In addition to financial powers, the Scotland Act 2016 also devolves a range of non-financial powers. These include extensive welfare powers, such as the power to create new benefits in devolved areas and the power to top-up reserved benefits in Scotland. As well as on these provisions, the Report also provides an update on the following areas:
 - policing of railways in Scotland;
 - tribunals;
 - consumer advocacy and advice; and
 - fuel poverty and energy company obligation (ECO) schemes.
4. The Fiscal Framework was published on 25 February 2016¹. On 15 March 2016, the UK Government (UKG) and the Scottish Government (SG) published a further annex to the Fiscal Framework². The Fiscal Framework sets out the agreement between the UKG and the SG, consistent with the principles contained in the Smith Commission Agreement and including a number of elements which will be covered by this report:
 - block grant adjustments for taxation and welfare;
 - administration and implementation costs;
 - spillover effects
 - borrowing; and
 - scrutiny.
5. The Fiscal Framework outlines the reporting requirements for the Scotland Act 2016, that both the UKG and the SG will prepare and publish an annual update

1

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/503481/fiscal_framework_agreement_25_feb_16_2.pdf

2

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508102/Fiscal_Framework_-_Text_-_Annex_to_the_fiscal_framework_-_15th_March_2016....pdf

report on functions and duties being devolved under the Scotland Act 2016 that will be provided to both the UK and Scottish Parliaments.

CHAPTER 2

IMPLEMENTATION PROGRESS

6. Since February 2019, all sections of the Scotland Act 2016 which increase the powers of the Scottish Parliament are now in force. The latest position is reflected below:

Section	Section Title	Date of commencement
Part 1: Constitutional Arrangements		
1	Permanence of the Scottish Parliament and SG	23 March 2016
2	The Sewel convention	23 May 2016
3	Elections	18 May 2017
4	Power to make provision about elections	18 May 2017
5	Timing of elections	18 May 2017
6	Electoral registration: the digital service	18 May 2017
7	Expenditure in connection with elections	18 May 2017
8	Review of electoral boundaries by the Local Government Boundary Commission for Scotland	18 May 2017
9	Functions exercisable within devolved competence: elections	18 May 2017
10	Minor and consequential amendments: elections etc.	18 May 2017
11	Super-majority requirement for certain legislation	18 May 2017

12	Scope to modify the Scotland Act 1998	18 May 2017
Part 2: Tax and Fiscal		
13	Power of Scottish Parliament to set rates of income tax	30 November 2016
14	Amendments of Income Tax 2007	23 May 2016
15	Consequential amendments: income tax	23 May 2016
16	Assignment of VAT	23 May 2016
17	Tax on carriage of passengers by air	23 May 2016 Provision will take effect at a time agreed by the UKG and SG.
18	Tax on commercial exploitation of aggregate	23 May 2016 Provision will take effect at a time determined by the Joint Exchequer Committee.
19	Devolved taxes: further provision	23 May 2016
20	Borrowing	1 April 2017
21	Provision of information to the Office for Budget Responsibility	1 April 2017
Part 3: Welfare		
22	Disability, industrial injuries and carer's benefits	Section 22(3) and (1) so far as relating to (3) on 5 September 2016; section 22(1) for remaining purposes and (2) and (4) on 17 May 2017.
23	Benefits for maternity, funeral and heating expenses	Section 23(3) and (1) so far as relating to (3) on 5 September 2016; section 23(1) for remaining purposes, (2), (4) and (5) for the purpose of making regulations on 17 May 2017; and section 23(5) for remaining purposes on 1 April 2020.

24	Discretionary payments: top-up of reserved benefits	5 September 2016
25	Discretionary housing payments	1 April 2017
26	Discretionary payments and assistance	5 September 2016
27	Welfare foods	8 February 2019
28	Power to create other new benefits	5 September 2016
29	Universal Credit: costs of claimants who rent accommodation	5 September 2016
30	Universal Credit: persons to whom, and time when, paid	5 September 2016
31	Employment Support	5 September 2016
32	Functions exercisable within devolved competence	5 September 2016
33	Social Security Advisory Committee and Industrial Injuries Advisory Council	5 September 2016
34	Information-sharing	5 September 2016
35	Extension of unauthorised disclosure offence	5 September 2016
Part 4: Other Legislative Competence		
36	Crown Estate	36 (1), (5), (6), (9), (10), (11), (12) on 23 March 2016. The remainder on transfer date for the Crown Estate Scheme on 1 April 2017.
37	Equal opportunities	23 May 2016
38	Public sector duty regarding socio-economic inequalities	23 May 2016
39	Tribunals	23 May 2016

40	Roads	23 May 2016
41	Roads: Traffic signs etc.	23 May 2016
42	Roads: Speed limits	23 May 2016
43	Roads: Parking	23 May 2016
44	Roads: consequential provision etc.	23 May 2016
45	Policing of railways and railway property	23 May 2016
46	British Transport Police: cross border public authorities	23 May 2016
47	Onshore Petroleum	9 February 2018
48	Onshore Petroleum: Consequential amendments	9 February 2018
49	Onshore Petroleum: existing licences	29 November 2017
50	Consumer Advocacy and Advice	23 May 2016
51	Functions exercisable within devolved competence: consumer advocacy and advice	23 May 2016
52	Gaming machines on licenced betting premises	23 May 2016
53	Abortion	23 May 2016
Part 5: Other Executive Competence		
54	Gaelic Media Service	23 May 2016
55	Commissioners of Northern Lighthouses	23 May 2016
56	Maritime and Coastguard Agency	23 May 2016

57	Rail: franchising of passenger services	23 May 2016
58	Fuel poverty: support schemes	Section 58 for the purpose of making certain regulations on 1 December 2017. Section 58 (so far as not already in force) on 1 April 2018.
59	Energy company obligations	Section 59 for the purpose of making certain regulations on 1 December 2017. Section 59 (so far as not already in force) on 1 October 2018.
60	Apportionment of targets	Section 60 for the purpose of making certain regulations on 1 December 2017. Section 60 (so far as not already in force) on 1 October 2018.
61	Renewable electricity incentive schemes: consultation	23 May 2016
62	Offshore Renewable Energy Installations	1 April 2017
63	References to Competition and Markets Authority	23 May 2016
Part 6: Miscellaneous		
64	Gas and Electricity Markets Authority	23 May 2016
65	Office of Communications	18 August 2016
66	Bodies that may be required to attend before the Parliament	23 May 2016
67	Destination of fines, forfeitures and fixed penalties	1 April 2017
Part 7: General		
68	Subordinate legislation under functions exercisable within devolved competence	23 March 2016
69	Transfers of property etc. to the Scottish Ministers	23 March 2016

70	Transitional provision	23 March 2016
71	Power to make consequential, transitional and saving provision	23 March 2016
72	Commencement	23 March 2016
73	Short Title	23 March 2016

Commencement and Implementation of the Scotland Act 2016

7. A number of provisions came into force on Royal Assent and two months after Royal Assent, in line with section 72 of Scotland Act 2016. Since then all remaining sections have been commenced and all sections of the Scotland Act 2016 have been in force since February 2019.
8. The Fiscal Framework agreement sets out a number of agreed dates between the governments on implementation and commencement of the powers in the Scotland Act 2016.

CHAPTER 3

INCOME TAX

Since 6 April 2017, the Scottish Parliament has had the power to set the income tax rates and bands applicable to Scottish taxpayers on their non-savings and non-dividend income. The rates and bands will be set each year in the Scottish Rate Resolution. The Scottish block grant will be adjusted to reflect the change in funding stream in the manner set out in the Fiscal Framework agreement between the UKG and the SG in February 2016.

Steps taken towards implementation since previous report

9. The Scottish Parliament's income tax-raising powers were enhanced by the Scotland Act 2016. Since 2017-18, the Scottish Parliament has had the power to set both the rates and band thresholds (excluding the personal allowance) that apply to all non-savings and non-dividend income tax paid by Scottish taxpayers. Following decisions made for the 2017-18 and 2018-19 tax years, Scotland has different income tax rates, bands and thresholds to the rest of the UK³.

10. On 15 December 2022, the SG announced its planned income tax rates and bands for 2023-24 in the Scottish Budget 2023-24. The plans were considered by the Scottish Parliament and, on 9 February 2023, the Scottish Parliament passed a Scottish Rate Resolution to set the rates and bands that will apply to Scottish non-savings, non-dividend taxable income for 2023-24. There is no change to the five-band structure but changes have been made to the higher and top rates, which increase by 1%, and thresholds remain frozen in cash terms, apart from the top rate threshold which reduces from £150,000 to £125,140.

³ Information on the rates and bands that apply in Scotland is available on [GOV.UK](https://www.gov.uk)

Scottish Income Tax Band	Name	Rate
• £12,571 ⁴ - £14,732	• Starter Rate	• 19%
• £14,733 - £25,688	• Scottish Basic Rate	• 20%
• £25,689 - £43,662	• Intermediate Rate	• 21%
• £43,663 - £125,140 ⁵	• Higher Rate	• 42%
• Over £125,140 ⁶	• Top Rate	• 47%

Governance

11.A Scottish Income Tax Board, comprising members from His Majesty's Revenue and Customs (HMRC) and the SG, meets quarterly to ensure HMRC meets the operational obligations set out in its Service Level Agreement with the SG.

Taxpayer Identification

12.The Scottish tax paying population is not static: people move to and from Scotland and people become or cease to be taxpayers for a variety of reasons. HMRC takes a number of steps to ensure the ongoing accuracy of the Scottish taxpayer population, including:

- performing scans of HMRC address data to correct missing or partial postcodes;
- carrying out regular updates of the postcode information held by HMRC, including adding new Scottish postcodes to its list of Scottish postcodes;
- continuing to corroborate HMRC customer records with a range of third-party data sources; and
- issuing communications to remind taxpayers to notify HMRC of any change of address.

Costs

13.HMRC estimates the overall cost it has charged the SG for implementing Scottish income tax powers, to be £24.3m. The powers are defined by a

⁴ This assumes that individuals are in receipt of the Standard UK Personal Allowance.

⁵ those earning more than £100,000 will see their Personal Allowance reduced by £1 for every £2 earned over £100,000.

⁶ Ibid.

combination of provisions in the Scotland Act 2012 and Scotland Act 2016 and implementation costs cannot be apportioned specifically to an individual Act. The implementation project was completed in 2019-20. The costs of altering systems and processes in the future, for example to accommodate changes to rates and thresholds, will be recharged to the SG.

14. In 2021-22 HMRC invoiced the SG £604,119 for costs associated with operating Scottish income tax. In 2022 – 23, HMRC charged the SG £584,637.

CHAPTER 4

OTHER TAX POWERS & FISCAL PROVISIONS

The Scotland Act 2016 provides for Air Passenger Duty and the Aggregates Levy to be devolved. The UKG and the SG agreed in November 2017 to delay Air Passenger Duty devolution, and the introduction of the SG's replacement Air Departure Tax. A timetable has not yet been agreed by the Joint Exchequer Committee for the devolution of the Aggregates Levy.

The Act also makes provision for the assignment of VAT receipts. The SG will be assigned the first 10 percentage points of the revenue attributable to Scotland from the standard rate of VAT and the first 2.5 percentage points of the revenue attributable to Scotland from the 5 per cent reduced rate. VAT rates will continue to be set at a UK-wide level. The UKG and the SG have agreed that an implementation date for VAT assignment will be established as part of the upcoming review of the Fiscal Framework. HMRC's Scottish Tax Devolution Programme Board will directly oversee the transition of these other tax powers.

Steps taken towards implementation since previous report

Air Passenger Tax

15. The SG introduced the Air Departure Tax (Scotland) Bill to the Scottish Parliament on 20 December 2016, in preparation for the switch-over from UK Air Passenger Duty, and the Air Departure Tax (Scotland) Act 2017 received Royal Assent on 25 July 2017. While some provisions came into force on Royal Assent, the majority of the provisions of the Air Departure Tax (Scotland) Act 2017 will come into force by regulations on the day appointed by Scottish Ministers. This has not yet happened.
16. In November 2017, the UKG and the SG agreed that the introduction of Air Departure Tax in Scotland would be deferred until issues raised in relation to the exemption for flights departing from the Highlands and Islands have been resolved. The SG and the UKG are working closely to deliver the powers when possible. As agreed, the UKG will maintain the application of Air Passenger Duty in Scotland in the interim. HMRC has worked closely with both the SG and Revenue Scotland, who will administer the new Scottish tax, to ensure administration is as simple as possible for customers and to avoid issues such as double taxation.

Assignment of VAT

17. In November 2018, the UKG and the SG published a joint summary of the VAT assignment model. It sets out the methodology that will be used to calculate the Scottish share of UK VAT receipts. The model is based on the internationally recognised HMRC VAT Total Theoretical Liability model (VTTL).

18. The Joint Exchequer Committee (JEC) has agreed that the Scottish Fiscal Commission will be responsible for producing the forecasts for VAT assignment. The Office for Budget Responsibility will continue to produce VAT forecasts for the whole UK, which will be used to inform the block grant adjustments.
19. As part of the Fiscal Framework agreement, the UKG and the SG agreed to share equally all costs incurred as a result of the implementation and administration of VAT assignment.
20. Both governments remain committed to implementing what was agreed as part of the Smith Commission following the 2014 independence referendum, and legislated for in the Scotland Act 2016. The UKG and the SG have agreed to establish how and when VAT Assignment is implemented as part of the review of the SG's Fiscal Framework, covered in Chapter 9.

Aggregates Levy

21. The JEC will agree on a suitable point for the implementation of the devolution of the Aggregates Levy.

CHAPTER 5

BORROWING POWERS

The Scotland Act 2016 provides the SG with additional borrowing powers, building on those delivered in the Scotland Act 2012. In addition to the circumstances set out in the Scotland Act 2012, the provisions in the Scotland Act 2016 enable Scottish Ministers to borrow for the following two purposes:

- to meet current expenditure because of an excess of welfare payments over forecast welfare payments; and*
- to meet current expenditure because of a Scotland-specific negative economic shock.*

The Scotland Act 2016 provisions also:

- increased the SG's current borrowing limit from £500m to £1.75bn; and*
- increased the SG's capital borrowing limit from £2.2bn to 3bn.*

The SG's Fiscal Framework sets out more detail in relation to these borrowing powers.

Steps taken towards implementation since previous report

22. The SG's borrowing powers and Scotland Reserve came into effect in April 2017.
23. The Scottish Fiscal Commission's January 2021 forecast confirmed that a Scotland-specific economic shock was triggered in 2021-22. They also confirmed this was likely caused by the different timings of published forecasts, rather than a genuine disproportionate shock to the Scottish economy.
24. As a result of this Scotland-specific economic shock, and in line with the agreed Fiscal Framework, the UKG doubled the SG's borrowing limit from £300 million to £600 million for 2021-22 and the two subsequent financial years. This extra borrowing can be used for any forecast or observed tax shortfall or increase in welfare spending. In addition, the annual drawdown limits for the Scotland Reserve (£250m for resource; £100m for capital) are being waived for the same three-year period.

CHAPTER 6

WELFARE POWERS

Part 3 of the Scotland Act 2016 devolves significant powers relating to welfare benefits and employment support. The provisions in these sections of the Act give the Scottish Parliament greater powers to ensure that welfare provision in Scotland is tailored to local circumstances, while maintaining the benefits of the single jobs market and the UK's ability to pool risks.

Steps taken towards implementation since previous report

25. The Department for Work and Pensions (DWP) and HMRC continue to support the SG and Social Security Scotland to implement devolved social security powers. DWP also continued to deliver some existing benefits on behalf of the SG, while it builds its capacity and capability to administer all its replacement benefits.
26. 2022 marked the most ambitious and challenging year to date since the process of devolving elements of social security to Scotland began in 2018. The major milestone during the year was the full introduction of Adult Disability Payment (ADP), the replacement for Personal Independence Payment (PIP) in Scotland.
27. In March 2022, Social Security Scotland launched ADP within three specific local authority areas in Scotland before ADP was introduced nationally across Scotland on 29 August 2022. Alongside this DWP began a large-scale transfer of both PIP and Disability Living Allowance (DLA) Working Age cases.
28. This is a significant milestone for DWP as this is the largest and most complex benefit to be devolved in Scotland to date and will impact 310,000 PIP customers and 38,000 DLA Working Age customers. HMRC and the SG have worked together to enable ADP to interact with HMRC systems, ensuring Scottish customers receive their correct entitlement of tax-free childcare and tax credits.
29. In November 2022, the SG launched the second phase of the Scottish Child Payment. Social Security Scotland had previously made the payment available to children aged from 0-5 years old and this second phase saw coverage extended to eligible children under 16. Eligibility is linked to receipt of reserved income-related benefits so Social Security Scotland is reliant on DWP providing appropriate data. DWP has worked closely with the SG to meet its delivery timetable.
30. Following the launch of the SG's Child Disability Payment last year, almost all DWP's DLA for Children cases have been transferred safely and securely to Social Security Scotland.

31. In November 2022, DWP laid a section 104 Order under the Scotland Act 1998, to limit Cold Weather Payments to people living in England and Wales⁷. Following this, the SG introduced its replacement for Cold Weather Payments, Winter Heating Payment, from Winter 2022/23. Eligibility for the Winter Heating Payment is linked to receipt of reserved income-related benefits so Social Security Scotland is reliant on DWP providing appropriate data. DWP has worked closely with the SG to meet its delivery timetable. Following a request from the SG, DWP has extended the operation of the Social Fund in Scotland until 2023/24 in relation to Winter Fuel Payments⁸.
32. Looking ahead, work has commenced by DWP and HMRC to develop the changes needed to support the planned introduction of Carer Support Payment, which will replace Carer's Allowance in Scotland on a phased basis, from later this year.
33. In November 2022, Permanent Secretaries from both the DWP and the SG met to discuss the timeline for SG's delivery plans on the remaining devolved benefits. Following this meeting, Ministers from both governments agreed and jointly committed to a strategic plan which outlines the route map for completion of the majority of the devolution programme by 2025. The Joint Ministerial Working Group on Welfare will continue to review and monitor progress on the delivery of the remaining devolved benefits⁹.

⁷ SI 2022/1018, [The Social Security \(Scotland\) Act 2018 \(Winter Heating Assistance\) \(Consequential Modifications\) Order 2022](#).

⁸ SI 2023/395, [The Scotland Act 2016 \(Commencement No. 5\) \(Amendment\) Regulations 2023](#).

⁹ [Minutes from the Joint Ministerial Working Group on Welfare](#)

CHAPTER 7

OTHER SECTIONS OF THE SCOTLAND ACT 2016

There are a number of other provisions in the Scotland Act 2016 that have effects on the SG's spending powers, the arrangements for which are covered by the Fiscal Framework. These include the following provisions:

- *The Crown Estate in Scotland*
- *Tribunals*
- *Policing of railways and the British Transport Police*
- *Onshore oil and gas licensing*
- *Consumer advocacy and advice*
- *Fuel poverty*
- *Energy company obligations*

Section 39: Tribunals

Steps taken towards implementation since previous report

34. Section 39 of the Scotland Act 2016 provides a statutory mechanism to enable the UKG to devolve responsibility for the management and operation of functions currently undertaken by reserved tribunals to Scotland. The UKG and the SG are working closely together to prepare an Order in Council. This sets out the basis on which the Scottish Parliament may legislate to give effect to the first phase of the transfer of Scottish functions of reserved tribunals to a Scottish Tribunal.

35. The COVID-19 pandemic impacted progress of this work. While work has now resumed, the dates for transfer are still to be determined. Both governments will continue to work together to agree realistic transfer dates as progress is made.

Sections 45-46: Policing of Railways & the British Transport Police

Steps taken towards implementation since previous report

36. Section 45 of the Scotland Act 2016 amends the Scotland Act 1998 to give the Scottish Parliament legislative competence over the policing of railways in Scotland. Section 46 designates the British Transport Police Authority (BTPA) and senior officers of the British Transport Police (BTP) force as cross-border public authorities. These sections of the Act commenced two months after Royal Assent on 23 May 2016.

37. The Scottish Railways Policing Committee (the Committee), a sub-committee of the BTPA, was established and met for the first time in October 2019. It has three members from the BTPA and two co-opted members from the Scottish Police Authority (SPA). It was created to provide assurance to the BTPA, SPA and Scottish Ministers on the delivery of railway policing in Scotland through:

- Recommending to the BTPA the Scottish Railways Policing Plan, ensuring that there has been effective consultation with stakeholders;
- Providing oversight of developmental plans and policies, scrutinising policing performance against agreed plans and statutory requirements; and
- Ensuring agreed improvements recommended by external inspections and reviews are implemented.

38. The Committee met four times during 2022. At these meetings the Committee oversaw development of the 2022-27 Railways Policing Strategy, and a refreshed annual Policing Plan for Scotland, providing assurance that plans for Scotland were aligned with the priorities of BTP's partners. It continued to receive regular updates on the BTP's performance against the Scotland Railways Policing Plan, a quarterly report on joint work between BTP, Police Scotland and other partners, and briefings on a range of thematic items including legitimacy, sustainability and neighbourhood policing. The agenda also featured a range of equality and diversity matters during 2022 and a refreshed quarterly evaluation report on the Committee's activities.

39. The Committee established a new approach to reporting on value for money in 2022 using the Scotland Best Value model, and its seven overarching themes, to both inform agenda planning and evaluation of the value delivered by BTP in Scotland. In November 2022 the Committee established a regular partner led section of its public meeting called 'industry voice' via which it takes feedback and other representations from partner organisations to inform scrutiny and shape future agendas.

Section 50: Consumer Advocacy and Advice

Steps taken towards implementation since previous report

40. The Consumer Scotland Act 2020 which established a new consumer advice and advocacy body, Consumer Scotland, was enacted on 9 June 2020. A Section 104 Order under the Scotland Act 1998 to enable Consumer Scotland to use its full powers under relevant UK legislation was affirmed by the UK Parliament in December 2021¹⁰. This enabled Consumer Scotland to become operational from April 2022. The Department for Business and Trade (DBT) (formerly the Department for Business, Energy and Industrial Strategy) provides levy funding directly to Consumer Scotland through an annual grant agreement to enable it to fulfil its role in relation to energy and post advocacy. Through that same levy, DBT reimburses the SG the costs of providing advice to Scottish energy and postal consumers.

Section 58 – 60: Fuel Poverty and Energy Company Obligation schemes

Steps taken towards implementation since previous report

¹⁰ SI 2022/34, [The Consumer Scotland Act 2020 \(Consequential Provisions and Modifications\) Order 2022](#)

41. Following public consultation in 2022, the UKG implemented the latest iteration of the Energy Company Obligation scheme (ECO4), with regulations coming into force in July 2022¹¹. It is a GB-wide scheme which is due to end in March 2026.
42. Also following public consultation in 2022, the UKG implemented a Warm Home Discount scheme for Scotland with regulations coming into force in October 2023¹². This is running alongside a separate Warm Home Discount scheme for England and Wales with both due to end in March 2026.
43. On 30 March 2023 the UK Government confirmed plans for a new 3 year, £1bn Energy Company Obligation – the Great British Insulation Scheme, to help households across Great Britain to improve the energy efficiency of their homes. Complementing the existing ECO4 scheme that delivers deeper retrofits to low income and more vulnerable households, the Great British Insulation Scheme will drive rapid delivery of the most cost-effective (mainly) single measures, boosting help for those most vulnerable as well as extending this to other households living in the least energy efficient properties in the lower Council Tax bands. The Scheme is expected to be established by summer 2023, with obligated energy suppliers able to deliver measures before this, from 30 March 2023, following the publication of the government response to last year’s consultation on scheme design.

¹¹ SI 2022/875, [The Electricity and Gas \(Energy Company Obligation\) Order 2022](#)

¹² SI 2022/1073, [The Warm Home Discount \(Scotland\) Regulations 2022](#)

CHAPTER 8

EFFECT OF NEW POWERS ON THE SCOTTISH BLOCK GRANT

Steps taken towards implementation since previous report

44. In July 2022, the UKG and the SG agreed a £375m transfer to the SG for the spillover effects relating to the income tax Personal Allowance up to 2021-22.
45. Alongside the Autumn Statement in November 2022, the UKG produced updated block grant adjustments for the SG to reflect their devolved powers in relation to tax, welfare and other revenues.
46. In line with the Fiscal Framework arrangements, the SG set its 2023-24 Budget in December 2022 using these updated block grant adjustments.
47. As agreed in the Fiscal Framework, the baseline adjustments reflect relevant welfare spending or revenues collected in Scotland in the year prior to devolution; and then a subsequent indexation for future years, based on changes in corresponding UKG spending/revenues. The adjustments applied to the SG's block grant will reflect the results of the Indexed Per Capita Model for a transitional period.
48. The upcoming review of the Fiscal Framework will determine what method for calculating block grant adjustments will be used beyond this transitional period.

Other areas of spend

49. For all other areas of spend being devolved in the Scotland Act 2016, the usual machinery of government approach will be applied to calculate the baseline additions to the SG's block grant. The Barnett formula will subsequently be applied in the normal way.

CHAPTER 9

OTHER ACTIVITIES TOWARDS IMPLEMENTATION OF THE FISCAL FRAMEWORK

Steps taken towards implementation since previous report

Review of the Fiscal Framework

50. The Fiscal Framework agreement sets out the arrangements for a review of the SG's Fiscal Framework to take place after a Parliament's worth of experience.

51. At a meeting of the JEC on 27 June 2022, the Chief Secretary and the Cabinet Secretary for Finance and the Economy formally launched the independent report that is to inform the review. This independent report was commissioned on the topic of block grant adjustment arrangements, and included a call for stakeholder input. The report was presented to both governments in December 2022, and the broader review of the Fiscal Framework is expected to follow shortly.

E02914320

978-1-5286-4118-0