EIGHTH ANNUAL REPORT ON THE IMPLEMENTATION OF THE SCOTLAND ACT 2016

May 2024

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Eighth 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

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FOREWORD

The Eighth Annual Report on the Implementation of the Scotland Act 2016 marks another year of progress in 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 in a variety of new areas.

I am pleased to say that, this year, progress continues to be made on the transfer of welfare powers, including the implementation and rollout of the Carer Support Payment which replaces the Carers Allowance in Scotland. Looking ahead, work is underway on the changes needed to support the Scottish Government's planned introduction of Pension Age Disability Payments and Scottish Adult Disability Living Allowance.

This Report also covers updates on the block grant and borrowing powers.

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 eighth 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 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;
    - fuel poverty and energy company obligation (ECO) schemes.

4. The Fiscal Framework was published on 25 February 2016[1]. On 15 March 2016, the UK Government (UKG) and the Scottish Government (SG) published a further annex to the Fiscal Framework[2]. It was further updated in July 2023, after a Parliament's worth of experience.

5. The Fiscal Framework sets out the agreement between the UKG and the Scottish Government, consistent with the principles contained in the Smith Commission Agreement and includes 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.

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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_201....pdf

6. The Fiscal Framework outlines the reporting requirements for the Scotland Act 2016, that both the UKG and the Scottish Government will prepare and publish an annual update 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

7. 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 Scottish Government	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 subject to agreement through 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

8. 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.

9. 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 Scottish Government in February 2016 which was further updated in July 2023.

Steps taken towards implementation since previous report:

10. 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 since devolution of the tax in 2017-18 Scotland has different income tax rates, bands and thresholds to the rest of the UK.[3]

11. On 19 December 2023, the Scottish Government announced its planned income tax rates and bands for 2024-25 in the Scottish Budget 2024-25. The plans were considered by the Scottish Parliament and, on 22 February 2024, 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 2024-25. A number of changes have been made from 2023-24.

12. The starter and basic rate bands are uprated in line with inflation (6.7%, based on Consumer Price Index from September 2023) whilst the higher rate threshold is maintained at £43,662. There are no changes to the starter, basic, intermediate and higher rates. A new advanced rate band of 45% is applied on income from £75,000 to £125,140 and the top rate of tax increases by 1%.

[3] Information on the rates and bands that apply in Scotland is available on GOV.UK

Scottish Income Tax Band	Name	Rate
£12,571[4] - £14, 876	Starter Rate	19%
£14,877 - £26,561	Scottish Basic Rate	20%
£26, 562 - £43,662	Intermediate Rate	21%
£43,663 - £75,000	Higher Rate	42%
£75,001 – 125,140[5]	Advanced Rate	45%
Over £125,140	Top Rate	48%

Governance

13. A Scottish Income Tax Board[6], comprising members from His Majesty's Revenue and Customs (HMRC) and the Scottish Government, meets quarterly to ensure HMRC meets the operational obligations set out in its Service Level Agreement with the Scottish Government.

Taxpayer Identification

14. 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

15. HMRC estimates the overall cost it charged the Scottish Government for implementing Scottish income tax powers, to be £24.3m. The powers are defined by a combination of provisions in the Scotland Act 2012 and Scotland Act 2016 and implementation costs cannot be apportioned specifically to an

[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] The terms of reference, minutes and contact details of the Board are available on GOV.UK

individual Act. The implementation project was completed in 2019-20. The costs of altering systems and processes following completion of the implementation project, for example to accommodate changes to rates and thresholds, will be recharged to the Scottish Government.

16. In 2022-23, HMRC charged the Scottish Government £584,637 for costs associated with operating Scottish income tax. Final figures for 2023-24 are not yet available. HMRC and the Scottish Government have agreed invoice charges of £339,153 for Q1, Q2 & Q3 2023-24. At the time of writing, HMRC's latest forecast for the cost of operating Scottish income tax in 2023-24 is £604,114.

17. The cost of the project to alter systems and processes to implement the new advanced rate from April 2024 is accounted for separately. These costs will be confirmed following the closure of the project, once all changes have been completed and costs accounted for.

CHAPTER 4

OTHER TAX POWERS & FISCAL PROVISIONS

The Scotland Act 2016 provides for a range of taxes to be devolved, including Air Passenger Duty and the Aggregates Levy. The Scottish Aggregates Tax and Devolved Taxes Administration (Scotland) Bill was introduced to the Scottish Parliament in November 2023. The UK Aggregates Levy will continue to apply until a date for the introduction of a Scottish replacement has been agreed.

The UKG and the Scottish Government agreed in November 2017 to delay Air Passenger Duty devolution, and the introduction of the Scottish Government's replacement Air Departure Tax. VAT rates will continue to be set at a UK-wide level.In October 2020 the UKG and Scottish Governments agreed that how and when VAT assignment will be implemented should be established as part of the wider review of the Scottish Government's Fiscal Framework. A revised fiscal framework was published in August 2023, which confirmed the rates above but did not set a date for implementation.

Steps taken towards implementation since previous report:

Air Passenger Duty

18. The Scottish Government 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.

19. In November 2017, the UKG and the Scottish Government 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. As agreed, the UKG will maintain the application of Air Passenger Duty in Scotland in the interim. HMRC has worked closely with both the Scottish Government 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

20. The Scotland Act provides that receipts from the first 10p of the standard rate of VAT and the first 2.5p of the reduced rate of VAT in Scotland will be assigned to the Scottish Government.

21. The assignment of VAT will be based on a methodology that will estimate expenditure in Scotland on goods and services that are liable for VAT. It was agreed in the 2016 Fiscal Framework agreement that the full details of the VAT assignment methodology will be jointly developed and agreed by both HMRC and Scottish Government officials.

22. During the 2023 Fiscal Framework review, the UKG and the Scottish Government agreed that the next steps around VAT assignment would be discussed at a future meeting of the Joint Exchequer Committee.

23. To allow the development and testing of the methodology for calculating Scotland's aggregated share of VAT liabilities, VAT assignment will continue to be forecast and calculated each year, but with no impact on the Scottish Government's finances.

Aggregates Levy

24. The Scotland Act 2016 gives the Scottish Parliament the power to introduce a devolved levy on aggregates obtained in Scotland. The Scottish Aggregates Tax and Devolved Taxes Administration (Scotland) Bill was introduced to the Scottish Parliament in November 2023. The UK levy will continue to apply until a date for the introduction of a Scottish replacement has been agreed.

25. HMRC is working closely with both the Scottish Government and Revenue Scotland, who will administer the new Scottish tax, to ensure a smooth transition for customers and address risks such as double taxation. The Scottish Government intends Scottish Aggregates Tax to be implemented in April 2026, subject to joint Ministerial agreement through the JEC.

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:

26. The Scottish Government's borrowing powers and Scotland Reserve came into effect in April 2017.

Capital borrowing

27. The UK and Scottish Governments have agreed that from 2023-24 onwards, the statutory limit on borrowing for capital expenditure will be increased to and maintained at £3bn in 2023-24 prices (using the OBR's GDP deflator forecast at the time of the Scottish Government's draft Budget). The annual limit on the amount of borrowing for capital expenditure will also be increased. From 2023-24 onwards, it will now be maintained at £450m a year in 2023-24 prices (again using the OBR's GDP deflator forecast at the time of the Scottish Government's draft Budget). Both limits will be uprated annually.

28. The Scottish Government will notify the Treasury monthly on its planned capital borrowing, its outstanding debt and repayment profile, but will be able to borrow within the agreed limits as it deems appropriate.

29. These capital borrowing limits are in addition to the Scottish Government's capital block grant, which will continue to be calculated in accordance with the Barnett formula.

30. The UK Government will amend the Scotland Act accordingly to increase the aggregate borrowing limit as necessary.

Resource borrowing

31. Under the updated Fiscal Framework, the Scottish Government will have the power to borrow up to £600m each year within a statutory overall limit for resource borrowing of £1.75bn, with both limits in 2023-24 prices (using the OBR's GDP deflator forecast at the time of the Scottish Government draft Budget). The Scottish Government may pursue resource borrowing within these limits for the following reasons:
    - for in-year cash management;
    - for forecast error in relation to devolved and assigned taxes and demand-led welfare expenditure arising from forecasts of Scottish receipts/expenditure and corresponding UK forecasts for the block grant adjustments.

32. These enhanced borrowing powers will apply from 2023-24 onwards, and will be maintained in real terms going forward, with annual and overall limits to be uprated annually.

Scotland Reserve

33. The new Scotland Reserve enables the Scottish Government to smooth all types of spending and manage tax volatility and determine the timing of expenditure. The Scotland Reserve applies from 2017-18 onwards.

34. The Scotland Reserve will be separated between resource and capital. Payments may be made into the resource reserve from the resource budget including tax receipts. Funds in the resource reserve may be drawn down to fund resource or capital spending. Payments may be made into the capital reserve from the capital budget. Funds in the capital reserve may be drawn down to fund capital spending only.

35. The Scotland Reserve will replace the existing cash reserve. The Budget Exchange Mechanism will no longer apply to the Scottish Government's resource or capital budgets.

36. The Scotland Reserve will be capped in aggregate at £700m in 2023-24 prices (using the OBR's GDP deflator forecast at the time of the Scottish Government draft Budget), and therefore uprated annually. The Governments have agreed that annual drawdowns from the reserve will be unlimited. There are also no annual limits for payments into the Scotland Reserve.

37. The Scotland Reserve will be held within the UK Government’s Exchequer. The detailed arrangements for the operation of the Scotland reserve and access arrangements will be agreed between the Governments

CHAPTER 6

WELFARE POWERS

Part 3 of the Scotland Act 2016 devolves significant powers relating to welfare benefits and employment support. The provisions in Part 3 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

38. The Department for Work and Pensions (DWP) continued to support the Scottish Government and Social Security Scotland in its implementation of its devolved social security powers. DWP also continued to deliver some existing devolved benefits on behalf of the Scottish Government while it builds its capacity and capability to administer all its planned replacement disability and carer benefits.

39. In 2023 there was continued progress in implementation of the Scottish devolution programme of work - the major milestones during the year were supporting the Scottish Government with the introduction of its Carer Support Payment (CSP) - Scottish Government's replacement for Carer's Allowance - and the completion of case transfer for existing Scottish claimants of Disability Living Allowance for children to Child Disability Payment.

40. We completed the safe and secure transfer of remaining Disability Living Allowance for children (DLAc) cases to Social Security Scotland in Summer 2023. In July 2023 regulations and operational processes were put in place to support cross border moves in order to minimise potential disruption to payments where a claimant changes permanent address and moves from England or Wales to Scotland.

41. In November 2023, Social Security Scotland launched a CSP pilot for new claims in three local authority areas. The managed transfer of around 120,000 existing Scottish Carer's Allowance cases to Carer Support Payment began in February 2024.

42. We have passed the halfway point in the transfer of Personal Independence Payment cases to Adult Disability Payment. By spring 2024 more than 164,000 cases had completed their move to Social Security Scotland, from a total of around 325,000. This is significant progress.

43. DWP provided Social Security Scotland with relevant income related benefit data to allow eligibility for their replacement for Cold Weather Payment (Winter Heating Payment) to be determined and payments made.

44. Christmas Bonus is a reserved benefit. It has been agreed by DWP Ministers on a benefit by benefit basis that the replacement disability and carer benefits introduced to date can serve as qualifying benefits for the Christmas Bonus. DWP receives data from the Scottish Government to check for entitlement to Christmas Bonus where no DWP qualifying benefits are in payment. This work ensures around 200,000 customers in Scotland receive the payment.

45. Looking ahead, work has commenced to develop the changes needed to support the planned introduction of Pension Age Disability Payment, which will replace Attendance Allowance, and Scottish Adult Disability Living Allowance] which will replace Disability Living Allowance for adults in Scotland. The Scottish Government also plans to introduce Pension Age Winter Heating Payment to replace DWP's Winter Fuel Payment in Winter 2024/25.

46. In November 2023, Permanent Secretaries from both the DWP and the Scottish Government met to discuss progress with the delivery of the welfare changes in Scotland and the regular bi-annual meetings of the Joint Ministerial Working Group on Welfare which provides ministerial oversight to implementation have taken place in September 2023 and March 2024. Discussions have covered the timetable for introducing the remaining replacement benefits, the transfer of PIP cases to ADP and other lessons learned. A further meeting between permanent secretaries was scheduled for spring 2024 to discuss the transition to business as usual following the planned end of the DWP Scottish Devolution programme.

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 Scottish Government'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*

Steps taken towards implementation since previous report:

47. 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.

48. 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.

49. The Committee met four times during 2023. At these meetings, the Committee continued to receive regular updates on the BTP's performance against the Scotland Railways Policing Plan, quarterly reports on joint work between BTP, Police Scotland and other partners, and briefings on a range of thematic items including use of police powers and trespass. The agenda also featured regular assurance on progress with implementation of audit recommendations and a quarterly evaluation report on the Committee's activities.

Fuel Poverty and Energy Company Obligation schemes

Steps taken towards implementation since previous report:

50. The current iteration of the Energy Company Obligation (ECO) scheme, ECO4, runs from April 2022 – March 2026 with an increased value of £4 billion, accelerating the UKG's efforts to improve homes to meet fuel poverty targets. Further energy efficiency support is now available through a complementary ECO scheme: the Great British Insulation Scheme (GBIS). Both schemes are GB-wide.

51. GBIS was established in law on 25 July 2023 and also runs until March 2026. It is worth £1 billion over three years, and focuses delivery on the most cost-effective single insulation measures. GBIS targets the least efficient homes in the lower council tax bands, as well as those on low incomes in the least efficient homes.

CHAPTER 8

EFFECT OF NEW POWERS ON THE SCOTTISH BLOCK GRANT

Steps taken towards implementation since previous report:

52. Alongside the Autumn Statement in November 2023, the UKG produced updated block grant adjustments for the Scottish Government to reflect their devolved powers in relation to tax, welfare and other revenues.

53. In line with the Fiscal Framework arrangements, the Scottish Government set its 2024-25 Budget in December 2023 using these updated block grant adjustments.

54. As agreed in the updated Fiscal Framework, the block grant to the Scottish Government will be adjusted to reflect the introduction of devolved and assigned revenues, and the transfer of responsibility for welfare. The adjustments will involve two elements: an initial block grant baseline adjustment (a deduction in relation to tax and an addition in relation to welfare) and an indexation mechanism.

<u>Other areas of spend</u>

55. For all further spending powers other than welfare (and any other areas explicitly set out in the Fiscal framework) the normal approach to machinery of government changes will determine the initial baseline adjustments, with the full programme costs in and for Scotland being transferred at the point of devolution for the remainder of the Spending Review period. This change will be baselined and the Barnett formula will subsequently apply to changes in UK Government spending in these areas. For the employment programmes, the Barnett formula will apply to changes in the entirety of UK Government spending, including any elements funded through payment by results.

CHAPTER 9

OTHER ACTIVITIES TOWARDS IMPLEMENTATION OF THE FISCAL FRAMEWORK

Steps taken towards implementation since previous report

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

57. 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.

Review of the Fiscal Framework

58. The Fiscal Framework was originally agreed in February 2016. In March 2016, the Scottish and UK governments published a further annex to the fiscal framework for the Scottish Government.

59. In line with the 2016 agreement, the Scottish Government and UKGcompleted a review of the Fiscal Framework and the associated annex on 20 July 2023, after a parliament's worth of experience.

60. The agreement updates the Fiscal Framework, which underpins the powers over tax and welfare that are devolved to Scotland through the Scotland Acts of 2012 and 2016.

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