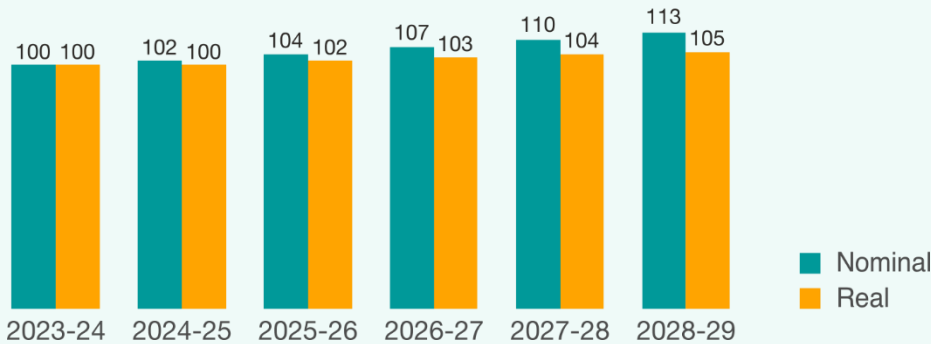


### Quick Visual Guide

#### Fiscal Overview

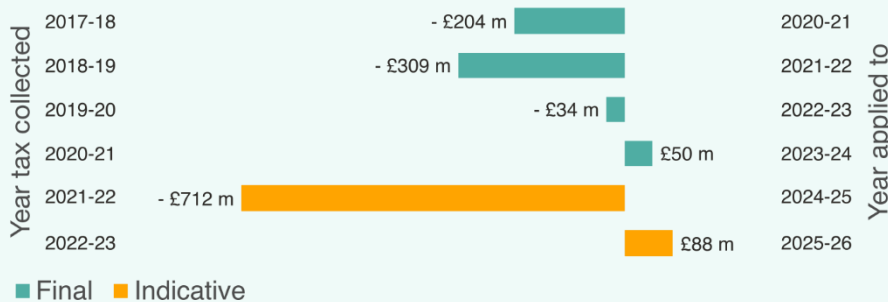
#### Medium-term outlook for total funding



Total funding is forecast to increase in all years in nominal terms until in 2028-29 it is 13 per cent greater than in 2023-24. Inflation will erode that growth to 5 per cent.

Resource drives this growth with increases in all years. Nominal capital funding will remain 8 per cent below 2023-24 levels throughout the period.

#### Significant income tax reconciliation expected in 2024-25

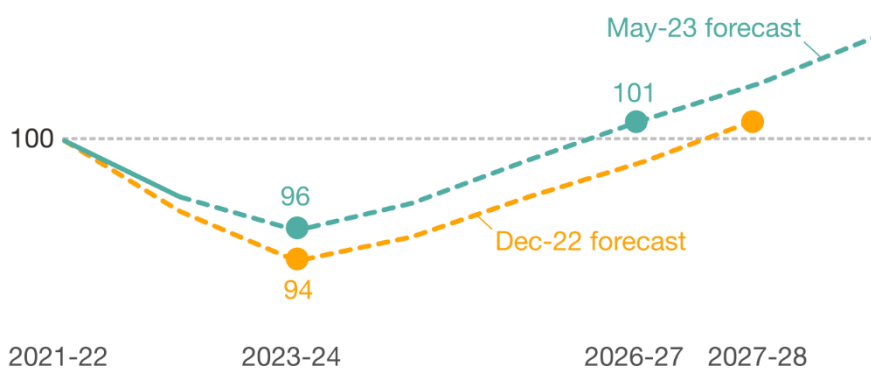


Income tax reconciliations take place three years after the Budget when the funding was originally set.

In 2024-25 we still expect a large negative income tax reconciliation relating to 2021-22 revenues, which will exceed the fiscal framework borrowing limits. This will have a negative effect on resource funding.

#### Economy

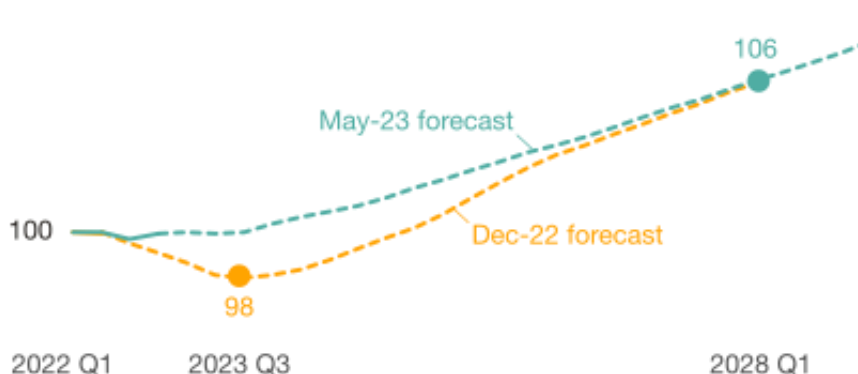
#### Living standards to fall by less than previously expected



High inflation sees real disposable incomes per person fall by 4 per cent by the end of 2023-24, Scotland's highest fall in living standards on record.

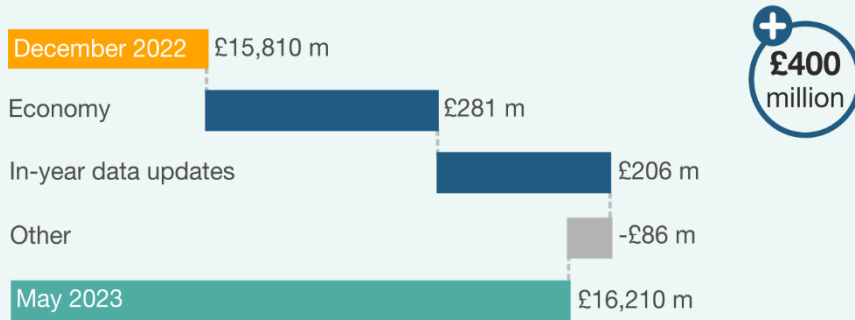
Living standards will take until 2026-27 to recover to their 2021-22 level. This outlook is improved since our December 2022 forecast reflecting lower energy price expectations.

#### GDP to remain broadly flat this year



In line with the latest Gross Domestic Product (GDP) data and the improved outlook for energy prices we now forecast the economy to remain broadly flat in 2023-24 rather than fall into a shallow recession.

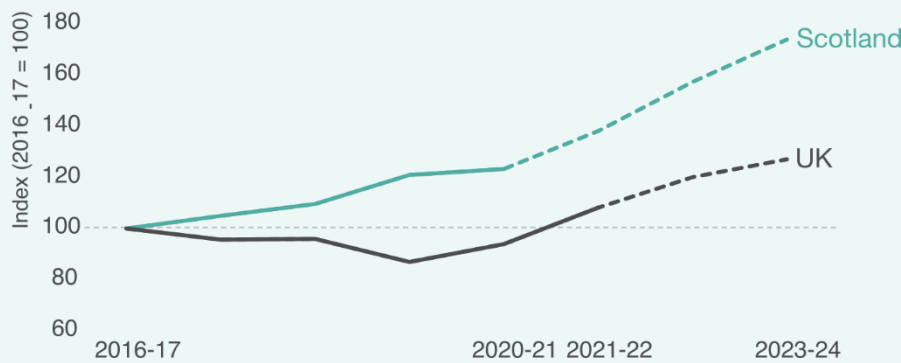
## Income tax changes since December 2022 forecast



Our income tax forecast has been increased by higher employment growth, and nominal earnings growth.

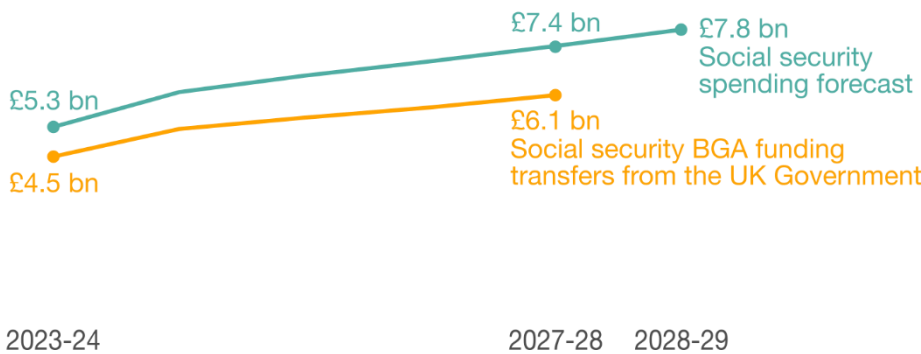
Higher than expected RTI data on PAYE income tax receipts for 2022-23 also contribute positively.

## Growth in number of higher rate taxpayers



Since 2016-17, the Scottish higher rate threshold has largely been frozen. The number of higher rate taxpayers is expected to have increased by over 70 per cent in this time. The higher rate threshold freeze in the UK means the number of UK higher rate taxpayers is now also rising.

## Spending increasing to £7.8 bn by 2028-29

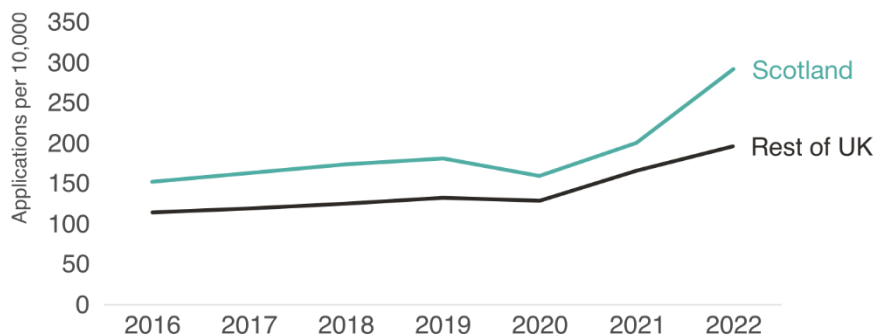


## Social Security

Social security spending forecast to increase from £5.3 bn in 2023-24 to £7.8 bn in 2028-29.

By 2027-28, we expect the Scottish Government to spend £1.3 bn more on social security than the funding received from the UK Government through the BGAs.

## Increased demand for disability payments for working age population



Demand for disability payments across the UK has increased substantially since 2020.

Disability payment forecasts have been revised up to reflect sustained demand at a higher-than-expected level.