



# What you need to know about the draft Scottish Budget 2023/24

## Introduction

The Scottish Government's [draft budget for 2023/24](#) was published on 15 December 2022.

The budget focused on three key priority areas – eradicating child poverty, strengthening public services and continuing to move towards a net-zero economy.

In his announcement, deputy first minister John Swinney MSP highlighted the ongoing financial challenges created by increasing inflation and the cost of living crisis. He drew attention to the fact that the Scottish Government has already faced a £1.2 billion reduction in budget and increased spend to meet public sector pay commitments. These additional costs were set out in the [Emergency Budget Review](#) published in November.

As a consequence of this reduction in budgetary flexibility, the overall housing budget has been reduced from £888m in 22/23 to £721.6m in 23/24 in cash terms. **Taking inflation of 10% into account the cut is even more pronounced, with the overall budget equal to £656m for 23/24 in real terms.**

## Summary of the draft budget

**Housing Supply** – Most significantly the More Homes budget has been reduced from £744.3m to £567.5m in cash terms. With inflation at 10 percent the real term budget for 23/24 is £516m.

**Homelessness** – There is continuing support for the Ukrainian resettlement scheme with £73m allocated in 23/24.

**Building Standards** – There is an increase in cash terms and real terms in the building standards budget line from £11.8m this year to £31.3m next year. Even considering inflation this is an increase to £28.5m in real terms for 23/24.

**Fuel poverty and energy efficiency** – £20 million will be made available to continue the Fuel Insecurity Fund into next year. The fuel poverty and housing quality budget line will see a real terms and cash term cut from £2.5m this year to £2.3m in cash term equivalent to £2.1m in real terms.

The fuel poverty/energy efficiency budget line will see an increase from £192.3m to £231.1m in cash

terms. This is equal to £210m in real terms.

**Social security** – Scottish Child Payment will remain at the increased rate of £25 per eligible child per week.

Benefits delivered through Social Security Scotland are to be increased by 10.1 percent in line with inflation.

**Local government settlement** – £550 million extra funding for local authorities was announced. This is in addition to the existing settlement.

**Discretionary Housing Payment (DHP)** – Despite a cash terms increase in the DHP budget there is a real terms cut to £78.1m for 23/24 from £80.2m in 22/23.

**The Scottish Housing Regulator** – The SHR will receive a modest cash term increase in its budget from £5.3m to £6m. In real terms this is an increase to £5.45m.

**Other** – Additional budget lines including the Scottish Welfare Fund and the Rapid Rehousing Transition Plan (RRTP) budget have been frozen in cash terms at £40.9m and £8m respectively. These are real terms cuts.

## Funding services

**Income tax** – Changes to higher rate tax were announced as follows:

- Higher rate of tax to increase from 41p to 42p in the pound.
- Top rate of tax to increase from 46p to 47p in the pound.
- The threshold for the top rate is to be lowered from £150,000 to £125,140.

**Housing tax** – Land and Buildings Transaction Tax (LBTT) Additional Dwelling Supplement (ADS) is applied to purchases of additional homes and is intended to support first time buyers by discouraging the purchase of second homes. The rate will be increased from four to six percent.

**Council tax** – there will be no freeze or cap on the amount that local authorities can charge for Council Tax, but they have been encouraged to consider affordability when setting rates.



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### Reaction from CIH

This budget risks stalling the real progress made over the last eight years in increasing the supply of affordable housing in Scotland and reducing housing need. In real terms the budget for 'more homes' is 70 percent of the equivalent budget for 22/23 and that is without considering higher new building standards and probable limitations on social landlords setting their own rent levels post March 2023.

As we approach the mid-point of the Parliament, we called for additional investment so completions could gather pace and the Scottish Government could meet its target of delivering 110,000 affordable homes, and decarbonise existing stock by 2032.

Instead, the budget for new affordable homes has been reduced by over £200m in real terms which makes the challenging target of 110,000 affordable homes target even more difficult. Indeed, given the understandable focus on the twin pressures of the climate emergency and the cost-of-living crisis, it is disappointing that the budget did not prioritise investment into one of the key areas that would support both these outcomes - building social housing.