The Jimmy Reid Foundation

BRIEFING

November 2026

UK to Scottish Budget

Introduction

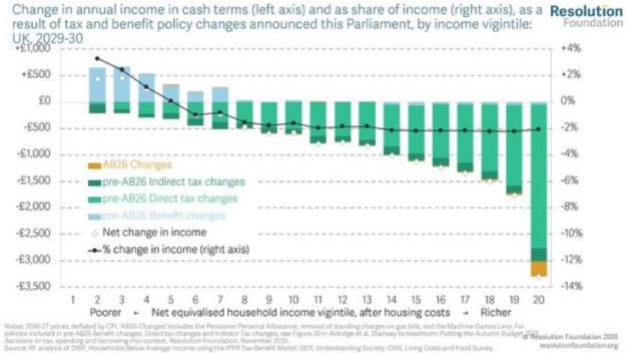
The Chancellor of the Exchequer, John Healy, delivered his first budget on 28 October 2026. This gives the Scottish Budget a little more time than usual, and it will be announced on 3 December 2026. This briefing looks at the UK Budget and the implications for Scotland.

UK Budget

The Chancellor called his budget 'Breathing Space' and 'Hope for the future'. He focused on reducing household energy costs, supporting pensioners and first-time buyers, and boosting investment, while increasing taxes on banks, savings and property income.

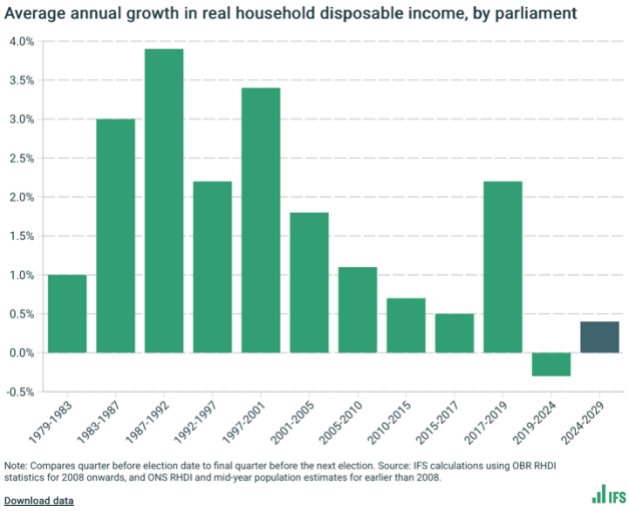
Household support focuses on energy costs, with a modest £100 contribution toward already rising energy bills, alongside plans to abolish standing charges, maintain VAT relief on electricity and remove green levies to taxation. While taxable allowances remain frozen, the state pension increase will remain outside income tax through a special allowance. The minimum wage will increase by 3.9%. Measures are in place for first-time homebuyers, plus cash for affordable housing and rough sleeping. Small business rates in England will change significantly, and funding for business investment will increase.

Polling says Britons tend to see the 2026 Budget as fair, by 45% to 20%, making it the most positively received budget since March 2021. The public appears to recognise that the state of the economy is poor, giving the Chancellor little scope to do more, and it will make little difference either way. The fairness point is reflected in the gainers and losers, highlighting its progressive impact.



However, others have argued he could have done more. The New Economics Foundation says he could have included everyone in the energy discount for just £700m extra, and more ambitious cost-of-living measures on housing rents and bus fares could have reduced inflation further. The Resolution Foundation also argued that support could have been better targeted.

IFS highlight the poor economic forecast. The UK government is still on course to run a current budget surplus by 2029-30, but smaller, and with more of the fall in borrowing in later years. The fiscal rules are very much in place, although the Chief Secretary says 'difficult decisions' await. The OBR forecasts household disposable incomes to grow by 0.4% per year during this parliament, the second-worst of any parliament since 1979.



The Chancellor could certainly have done more on taxation. The bank tax should have been higher given their unearned profits. As Tax Justice says, "We didn't see reforms that would make the wealthiest pay fair taxes on their income from assets, nor a fair tax on the extraordinary profits banks have been making. These could have paid for game changing action to break the affordability crisis that's got a grip over almost every aspect of people's lives." It falls short of the PM's 'end to neo-liberalism', and does little to tackle other weaknesses in the financial system or to equalise taxes on wealth and work, as the STUC highlights.

Scottish Impact
The UK Budget directly affects funding for the Scottish Budget through the Barnett formula. Changes in planned spending in policy areas in England which are devolved in Scotland result in the Scottish Government's block grant being topped up or reduced.

The very different spin on the benefits for Scotland from both governments can confusingly both be true. These are the Barnett consequentials.

Table – Barnett consequentials by funding type (£m)

Funding type	2026-27	2027-28	2028-29	2029-30	Total
Resource	£329.20	£283.20	£253.90	-	£866.30
Capital	-£58.90	-£101.60	-£72.50	-£104.90	-£337.90
Financial transactions	-£7.40	£25.20	£30.30	£22.50	£70.60
Total	£263.90	£206.90	£211.80	-£82.50	£600.10

The Scottish Government has more to spend in 2027-28, but this still equates to a real-terms fall between 2026-27 and 2027-28. However, the real-terms fall in 2027-28 is because they are getting more money this year. It all depends on where you take the comparison.

Either way, the much-anticipated £5 billion fiscal gap is not going away. This consists of £2.624 billion in resource (current spending) and £2.146 billion in capital by 2029-30. This is driven by spending plans, a negative reconciliation of income tax, planned efficiency savings, and higher-than-expected inflation. The reduction in capital spending is common across UK departments to pay for increased defence spending. This probably includes funding for the Acorn carbon capture and storage project.

The Scottish Parliament's Finance and Public Administration Committee says there is insufficient evidence to determine whether the government's tax and spending plans are affordable and sustainable. "We are also concerned that the Scottish Budget faces substantial risks if the three pillars of its 'Fiscal Sustainability Delivery Plan', including ambitious public service reform targets, are not delivered in full and on time."

The Scottish Fiscal Commission (SFC) would normally have published a Scottish forecast to accompany the Medium Term Financial Strategy (MTFS) in May; however, the Scottish Government delayed the publication and has since cancelled it. Not for the first time.

The Scottish Parliament will have to decide whether to apply some or all of the Chancellor's measures in devolved areas. The changes in personal allowances for pensioners are likely to be largely neutral. On savings and property income, the property income component of income tax is now devolved, so the Scottish budget will be reduced unless the Scottish Government raises its own rates. Technical issues remain in taxing landlords based in England. Changes to the carers allowance will require changes to the devolved benefit if Scotland removes it as well. The Scottish Government has indicated that it will apply the £100 energy payment, although poverty organisations argue that it could be better targeted.

The UK Budget pointed to further devolution to English regions and the use of the Local Renewal Fund, which may involve direct UK funding to Scottish councils. It also included discussions with the Scottish Government over devolution as part of its own local government reform plans.

Scottish Government Budget
As always, the Scottish Government can fund the budget over the Barnet funding by either cutting services or increasing taxes. We have long argued for wealth taxes, and 85% of people in Scotland want taxes on the wealthy to increase. In devolved taxes, this includes revaluing properties alongside a time-bound process to replace Council Tax with a new Proportional Property Tax.

Progressive income tax should remain, and we should reject calls for tax cuts that would weaken public services.

We welcomed the Scottish Government's commitment to replacing the UK-wide Air Passenger Duty with Air Departure Tax from April 2027, with a new Private Jet Supplement added a year later. However, this clearly fair measure should be introduced from the outset.

We remain highly sceptical that the public service reform plan will deliver any financial savings beyond the medium-to-long term. These are complex changes that will take time to agree and implement. Taxation needs to be part of that discussion, along with a greater commitment to preventative spending and insourcing services currently going to private profit.

Jimmy Reid Foundation
The Jimmy Reid Foundation is a think tank which brings together different voices from across Scotland to make the case for economic, environmental, political and social equity and justice in Scotland and further afield.
https://reidfoundation.scot
For further Information contact:
Dave Watson – contact@reidfoundation.scot