

F/T: 0300 244 4000
E: scottish.ministers@gov.scot

Kenneth Gibson MSP
Convener
Finance and Public Administration Committee
The Scottish Parliament
Edinburgh
EH99 1SP

13 January 2026,

Dear Kenneth,

I'm writing to update on two areas of interest for your committees; the Block Grant Adjustments (BGAs) agreed following the UK Autumn Budget 2025 and the BGA mechanism for Winter Fuel Payment tax recovery.

Autumn Statement BGAs

The Office for Budget Responsibility (OBR) published updated UK Government tax revenue and social security benefits expenditure forecasts on 26 November 2025. These forecasts inform the Block Grant Adjustments (BGAs) for the Scottish Budget 2026-27. Table A in the annex to this letter sets out the BGAs for Income Tax, Land and Buildings Transaction Tax (LBTT), Scottish Landfill Tax (SLfT), Scottish Aggregates Tax (SAT) and the devolved social security benefits.

These BGAs only provide a partial view as the full impact on Scotland's Budget will not be known until the Scottish Fiscal Commission (SFC) publish its forecasts for devolved tax revenues and social security benefits expenditure in January.

The 2026-27 Scottish Budget will be the first to incorporate BGAs for the newly devolved Scottish Aggregates Tax (SAT). I wrote to the Committee to detail the BGA approach for SAT on 07 August 2025 and 06 November 2025. My officials will be happy to provide more detail on these arrangements if helpful to do so.

As the 2025-26 BGAs for the Fully Devolved Taxes and Social Security benefits have been updated to reflect the latest OBR forecasts of corresponding tax receipts and social security expenditure in the rest of the UK, we have calculated the in-year reconciliations required to the 2025-26 Scottish Budget, as outlined at Table B in the Annex. A reconciliation of **£177 million** will be **added** to the 2025-26 Block Grant. As noted above, this only provides one side

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot

INVESTORS IN PEOPLE™
We invest in people Silver



of the impact on the Scottish Budget, and SFC forecasts alongside the 2026-27 Scottish Budget will allow a rounded picture of the overall net position.

The in-year reconciliation includes a **positive £151 million** in-year reconciliation for Winter Fuel Payment. As this is due to an in-year UK Government policy change, the Scottish Government had the option to defer the impact of the BGA change to 2027-28 under the terms of the Fiscal Framework. I can confirm that we have not elected to defer the impact of the in-year reconciliation and the increase to funding will be reflected in the funding position for the Scottish Budget 2026-27.

The reconciliation applying to the 2026-27 Scottish Budget is **positive £354 million**, as outlined in Table C in the Annex. This relates to forecast error for previous years' outturn, as well as the deferred impact of Department for Work and Pensions (DWP) updated final outturn at the last budget.

Please note that the outturn used to calculate the devolved 2024-25 Social Security BGA reconciliation was provisional, as final DWP outturn was not available at the UK Autumn Budget. DWP published their final outturn on 18 December 2025, which moved the reconciliation for social security from positive £5.3 to negative £5.2 million. The Fiscal Framework allows the Scottish Government to defer the impact of final outturn if it is confirmed within two months of the Scottish Budget. As this is the case, I have elected to defer this impact, with the positive social security reconciliation applying this year and £10.5 million to be deducted from the 2027-28 block grant.

BGA mechanism for Winter Fuel Payment tax recovery

Following the UK Government's policy change on Winter Fuel Payment (WFP) in June 2025, Scottish Government and UK Government officials have worked together to develop arrangements for the BGA, which are compatible with the Fiscal Framework and the Smith Commission Principles. I agreed these arrangements with the Chief Secretary to the Treasury via Ministerial correspondence. The arrangements are as follows.

The UK Government will issue its Winter Fuel Payments universally to all pensioners and will recover payments made to pensioners with an individual income of over £35,000 through the Income Tax system. This will not impact the Scottish Government's BGA for Income Tax, which is informed by Non-Savings Non-Dividends Income Tax only, which this tax recovery will sit outside.

The Scottish Government will receive the Winter Fuel Payment BGAs on a gross UK Government expenditure basis (rather than net of the expenditure recovered through Income Tax) and the UK Government will retain the benefit expenditure, paid to pensioners in Scotland with an individual income over £35,000, recovered via Income Tax.

However, as the UK Government will recover more per person in Scotland than it would if the WFP policy applied in Scotland, owing to different rates applying for the devolved Pension Age Winter Heating Payment in Scotland, the difference between the two will be accounted for with an additional Winter Fuel Payment Tax Recovery BGA.

This BGA will represent the difference between Pension Age Winter Heating Payments recovered from pensioners with income of over £35,000 a year in Scotland and what the

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot



equivalent tax recovery would be under the UK Government's Winter Fuel Payment policy. Initially, this BGA will be based on forecasts and will be reconciled to outturn, when available three years after the BGA was applied to the relevant budget year; i.e this reconciliation will fall in line with the reconciliation schedule for Income Tax rather than Winter Fuel Payment. There will be no in-year reconciliation.

This BGA will be applied from 2025-26, with an in-year reconciliation of £0.5 million being applied in-year and a forecast BGA of £1.3 million to be applied in 2026-27.

I hope you have found this update helpful, and my officials would be happy to provide any further information on the BGAs to Committee Members, as required.

Yours sincerely,

SHONA ROBISON

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot

INVESTORS IN PEOPLE™
We invest in people Silver



ANNEX A

Table A: Block Grant Adjustments - OBR forecasts November 2025 (£m)

TAX	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Income Tax	-17,839	-19,367	-20,539	-21,386	-22,110	-23,128	-24,082
LBTT	-625	-668	-788	-886	-988	-1,074	-1,140
SLfT	-73	-78	-55	-55	-69	-65	-70
SAT	N/A	N/A	-37	-39	-41	-43	-43
Total Tax	-18,538	-20,113	-21,419	-22,365	-23,207	-24,310	-25,335

SOCIAL SECURITY	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
AA	750	820	886	928	963	1,005	1,047
PIP	2,963	3,270	3,636	3,947	4,260	4,640	5,018
DLA	948	1,005	1,057	1,101	1,113	1,091	1,115
CA	400	430	468	502	526	551	574
IIDS	86	83	82	81	78	75	72
SDA	6	5	4	4	3	2	2
CWP	6	7	6	6	6	6	6
Gross WFP BGA	29	182	181	180	180	183	184
Tax Recovery BGA	N/A	1	1	2	3	4	5
WFP Net BGA (Gross WFP + Tax Recovery BGA)	29	182	182	182	183	188	189
TOTAL SS	5,188	5,803	6,323	6,751	7,133	7,558	8,024

indicates outturn data; Figures may not sum due to rounding

Table B: In-year reconciliations to the 2025-26 Budget

	2025-26 BGAs applied to 2025-26 Scottish Budget in December 2024 (£m)	2025-26 BGAs based on OBR 26 November 2025 forecast (£m)	Change in the forecast BGA from Scottish Budget (£m)
LBTT	-660	-668	-8
SLfT	-57	-78	-21
Social Security Benefits with a BGA*	+5,596	+5,803	207
TOTAL	+4,879	+5,507	177

*AA, PIP, DLA, CA, IIDS, SDA, CWP, WFP

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot



Table C: Total Provisional Reconciliation Requirements for the 2026-27 Budget (£m)

Income Tax 2023-24		+405.7
Of which:	+1,282.6	
Final Revenue reconciliation		
Final BGA reconciliation	-877.0	
LBTT 2024-25 final BGA reconciliation		-50.9
SLfT 2024-25 final BGA reconciliation		+1.5
Social Security 2024-25 provisional BGA reconciliation*		+5.3
Deferred impact of 2023-24 social security outturn from 2025-26 Scottish Budget		-7.2
Total Provisional Reconciliation Requirement		+354.4

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot

INVESTORS IN PEOPLE™
We invest in people Silver

