



Meeting the aspirations of the British people

October 2007

What the 2007 Pre-Budget Report and Comprehensive Spending Review means for Scotland



HM TREASURY

Summary leaflet

Meeting the aspirations of the British People

The Government's objective is to build a strong economy and a fair society, in which there is opportunity and security for all. This leaflet provides a summary of the key announcements in the 2007 Pre-Budget Report and Comprehensive Spending Review for Scotland, including:

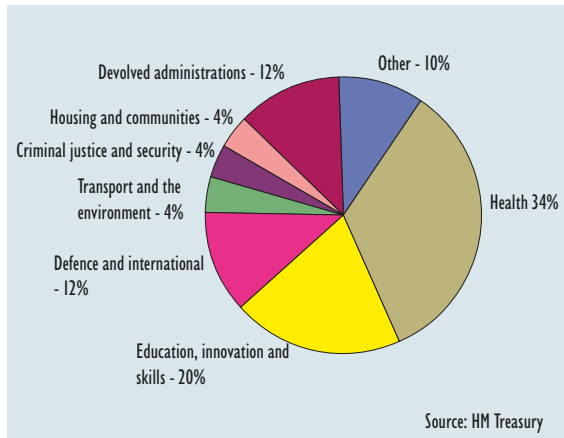
- **making inheritance tax allowances transferrable between married couples and civil partners** and a £600,000 threshold immediately, rising to £700,000 by 2010-11;
- **spending by the Scottish Executive** will be £3.7 billion higher in 2010-11 compared to 2007-08;
- **further steps to tackle climate change** including reforms to and increases in the taxation of air travel to better reflect environmental costs and a £1 billion environmental transformation fund;
- **steps to simplify the tax system and business support** to enable business to focus on increasing productivity, potentially benefiting 277,000 businesses in Scotland;
- **reforming capital gains tax by introducing a single rate of 18 per cent from 2008-09**, ensuring a more sustainable system that is straight-forward for tax payers and internationally competitive; and
- **confirming the Government's public service priorities and setting all departments' budgets for the next 3 years** with total public spending set to grow at 2.1 per cent per year between 2007-08 and 2010-11.

Government's Comprehensive Spending Review 2007: Where the additional money is going

Devolved decision making

The Government believes the best way to improve the productivity of the countries and regions of the UK and to overcome regional disparities in economic performance is to allow each country and region the freedom and flexibility to exploit local sources of growth.

The Government is working with the Scottish Executive to promote economic growth, full employment and prosperity for all the people of Scotland.



Macroeconomic stability

The British economy has grown for 60 consecutive quarters and inflation remains low. This stability puts Britain in a strong position to respond to global economic challenges and to take advantage of the opportunities of the coming decade. The 2007 Pre-Budget Report and Comprehensive Spending Review sets out that:

- **the economy is expected to grow** by 3 per cent in 2007, and by 2 to 2½ per cent in 2008;
- **inflation is set to remain low and stable** at around 2 per cent; and
- **the public finances remain sound, with borrowing forecast to be £38 billion** in 2007-08 and set to fall in every year for the next 5 years of the projection, and with debt lower than in the US, Japan, and the euro area.

Sustainable growth and prosperity

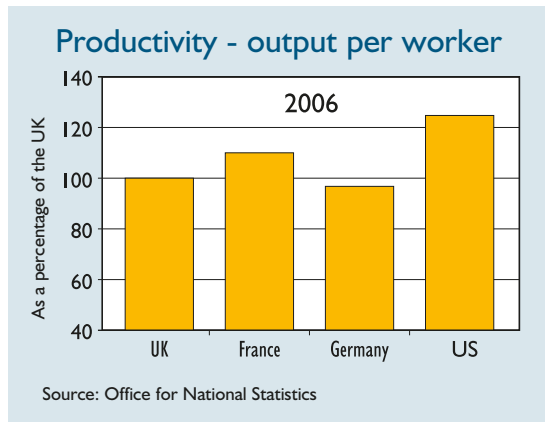
The pace of change in the global economy is intensifying, with growing movement of people, investment and goods across international borders. The Government is committed to equipping the UK to respond to these changes. Britain's relative economic performance has improved in recent years, with productivity now higher than Germany and moving closer to France. A flexible, enterprising, and high-skilled economy will help deliver faster productivity growth and ensure that all areas of the UK are well-placed to prosper in the global economy. The Government recognizes there are significant regional variations in productivity: in 2005, Gross Value Added per head in Scotland was 4 per cent below the UK average. The 2007 Pre-Budget Report and Comprehensive Spending Review announces new measures to improve productivity in Scotland, including:

- **greater investment in science:** in devolved areas of science spending, it will be for the Scottish Executive to make its own decisions; and;
- **three tax simplification reviews** and a package of over 20 tax simplification measures, potentially benefiting 277,000 businesses in Scotland.

Fairness and opportunity for all

The Government is committed to promoting fairness and opportunity for all to ensure that everyone shares in rising national prosperity. The 2007 Pre-Budget Report and Comprehensive Spending Review sets out the steps the Government is taking to promote employment opportunity for all, tackle child poverty, support families to balance their work and family lives and promote saving and ensuring security for all in old age. These include:

- **ensuring that all married couples and civil partners automatically benefit from double the standard inheritance tax allowance** - £600,000 immediately, rising to £700,000 by 2010-11;



- **raising the child element of the Child Tax Credit** by a further £25 in April 2008 and a further £25 in April 2010, benefiting the 309,000 families in Scotland who receive the child element of the Child Tax Credit;
- **the national roll-out from April 2008 of the In-Work Credit at a rate of £40, retaining a rate of £60 in London**, benefiting 49,330 lone parents in Scotland;
- **uprating the Pension Credit standard minimum guarantee**: the Government will deliver the Budget 2007 commitment that the Pension Credit standard minimum guarantee will increase to £124 in 2008/09, benefiting 341,000 households in Scotland receiving Pension Credits;
- **reforms to the residence and domicile rules** to make the current arrangements operate fairly, while maintaining the UK's competitiveness; and
- **further reforms to modernise the tax system**, and a number of measures to clamp down on tax fraud and avoidance.



Stronger communities and a better quality of life

In an age of great choice and opportunity, the Government's aim is to deliver a higher quality of life and make Britain a better place to live - in particular meeting people's desire for more responsive public services, access to decent and affordable housing, and strong, cohesive and safe communities. The 2007 Comprehensive Spending Review provides funding for devolved public services in Scotland. Resources in 2010-11 compared to 2007-8 will be £3.7 billion higher in Scotland.

In devolved areas it will be for the Scottish Executive to determine its own allocation of resources, policies and priorities.

In addition the 2007 Pre-Budget Report and Comprehensive Spending Review outlines:

- **investment in the UK's counter-terrorism capacity**, with total spending on counter-terrorism, intelligence and resilience going from £2½ billion in 2007-08 to £3½ billion in 2010-11 and a new single security budget for counter-terrorism; and
- **ensuring a lasting cultural and sporting legacy for the nation by fully funding the construction cost of the Olympics over the next three years.**

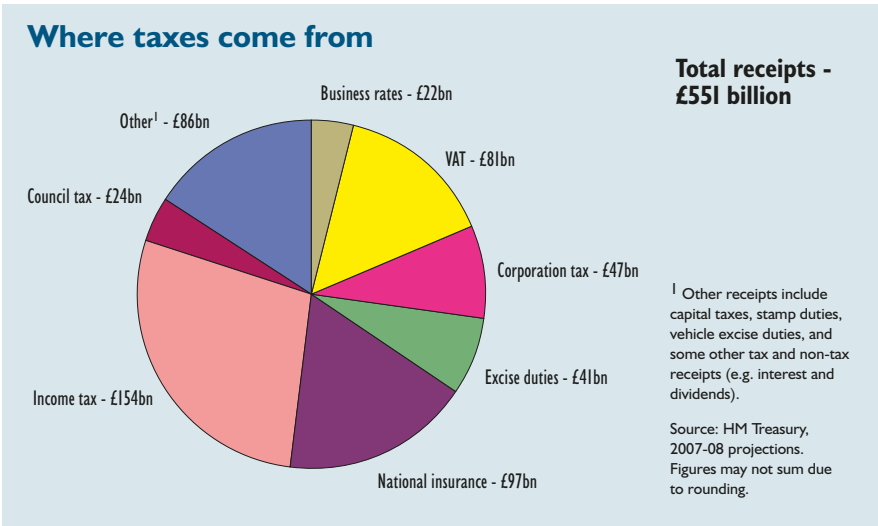
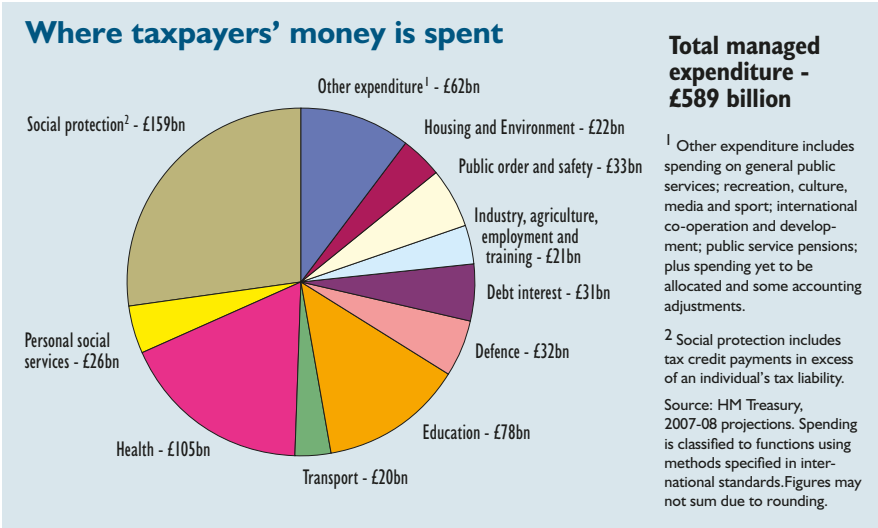
A more secure, fair and environmentally sustainable world

The Government is committed to delivering strong, environmentally sustainable growth in the UK and leading the international response to the long-term global challenges of climate change, promotion of peace and stability, and eliminating poverty around the world. The 2007 Pre-Budget Report and Comprehensive Spending Review announces:

- **an Environmental Transformation Fund of over £1.1 billion** to support the deployment of new energy technologies in the UK and abroad;
- **reforms to and increasing the taxation of air travel** to better reflect environmental costs;
- **an increase in overseas aid as a share of national income** from 0.37 per cent in 2007-08 to 0.56 per cent in 2010-11, meeting our international commitments; and
- **an increase in defence funding, to help secure international peace and stability** including funding for two new aircraft carriers and new protected vehicles for the Army and maintenance of the UK's nuclear deterrent.

Where taxpayers' money is spent

Total public spending expected to be around £589 billion this year, around £9,700 for every man, woman and child in the UK. It is set to rise to £617 billion in 2008-09, £647 billion in 2009-10 and £678 billion in 2010-11. It includes spending by the Devolved Administrations.



Get in touch

The Government would like to hear your views
in the run up to Budget 2008.

Please write your comments overleaf and return this page
in an envelope (no stamp required) to the following address:

Freepost Plus RRGJ-ZRHG-RRRU
HM Treasury Budget Information
Unit 11 Crusader Industrial Estate
167 Hermitage Road
London
N4 1LZ

Further information

To order further copies of this leaflet, or an alternative format,
please telephone:
020 7270 4558

For more information on the Pre-Budget Report
and the Government's spending plans visit the Treasury's website at:

www.hm-treasury.gov.uk



Please write your comments here

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