

## Budget process – Guidance to Subject Committees

### Introduction

1. The aim of this paper is to provide guidance to parliamentary committees on the budget process, which is based on the Budget Review Group's 2017 review of the budget process. The Group's report can be found here—

[http://www.scottish.parliament.uk/S5\\_Finance/Reports/BPRG -  
\\_Final\\_Report\\_30.06.17.pdf](http://www.scottish.parliament.uk/S5_Finance/Reports/BPRG_-_Final_Report_30.06.17.pdf)

### Framework and objectives budget scrutiny

2. The Group recommended the following framework for the budget scrutiny process—

- **Full Year Approach:** a broader process in which committees have the flexibility to incorporate budget scrutiny including public engagement into their work prior to the publication of firm and detailed spending proposals;
- **Continuous cycle:** scrutiny should be continuous with an emphasis on developing an understanding of the impact of budgetary decisions over a number of years including budgetary trends;
- **Output / outcome focused:** scrutiny should also be evaluative with an emphasis on what budgets have achieved and aim to achieve over the long term, including scrutiny of equalities outcomes;
- **Fiscal Responsibility:** scrutiny should have a long-term outlook and focus more on prioritisation, addressing fiscal constraints and the impact of increasing demand for public services; and
- **Interdependent:** scrutiny should focus more on the interdependent nature of many of the policies which the budget is seeking to deliver.

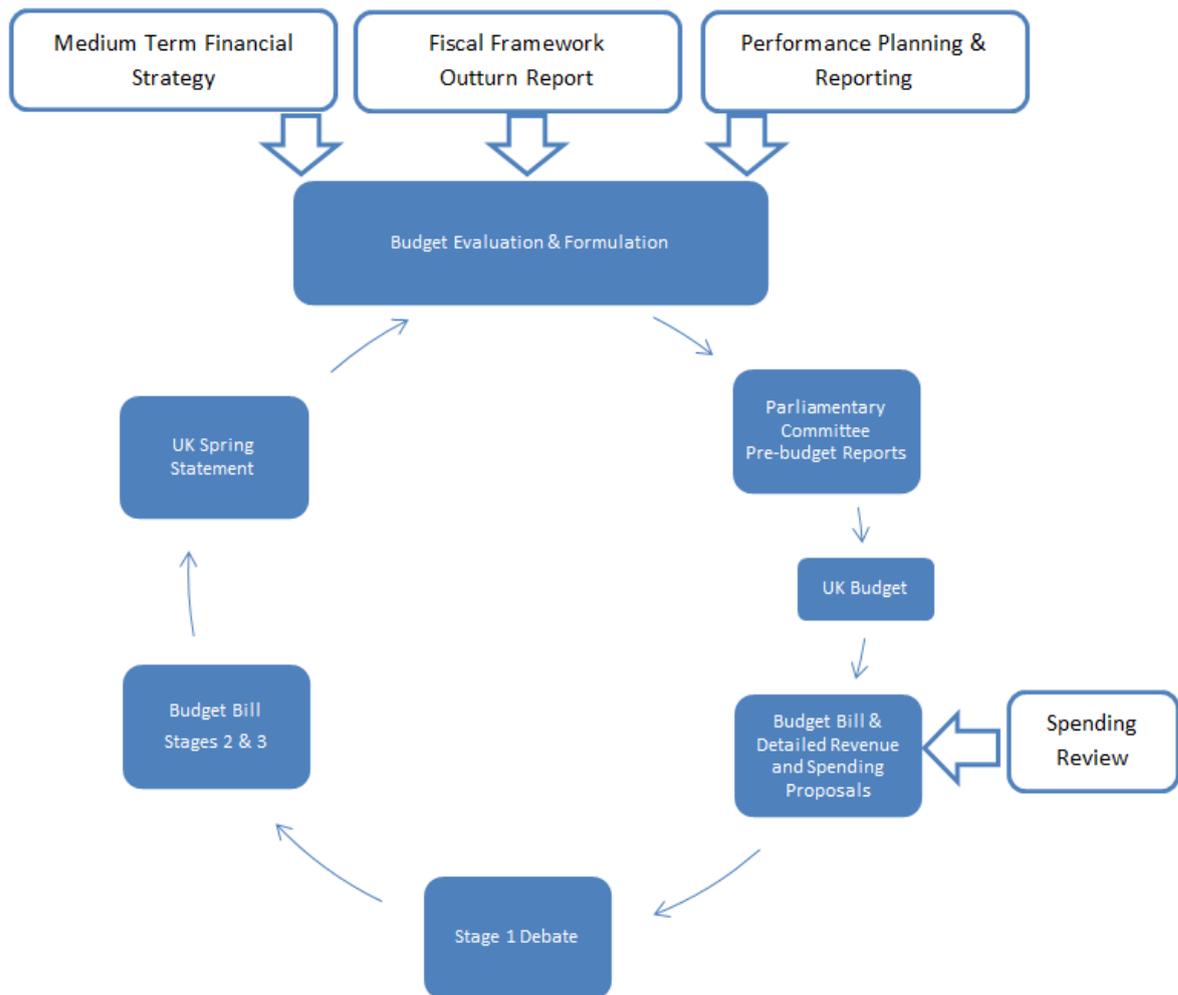
3. The budget process should have the following four core objectives—

- To have a greater influence on the formulation of the Scottish Government's budget proposals;
- To improve transparency and raise public understanding and awareness of the budget;
- To respond effectively to new fiscal and wider policy challenges; and
- To lead to better outputs and outcomes as measured against benchmarks and stated objectives.

4. Parliamentary committees should seek to influence the Budget when priorities are being set through constructive dialogue with Ministers, public bodies and other stakeholders. This dialogue should continue throughout the year using an outcomes-based approach.

5. The components of the Group’s recommended revised budget process is attached at **Annexe A**, the structure for the budget process is illustrated in Chart 1 below and an infographic on the budget process is attached at **Annexe B** to this guidance.

**Chart 1: Overview of Revised Budget Process**

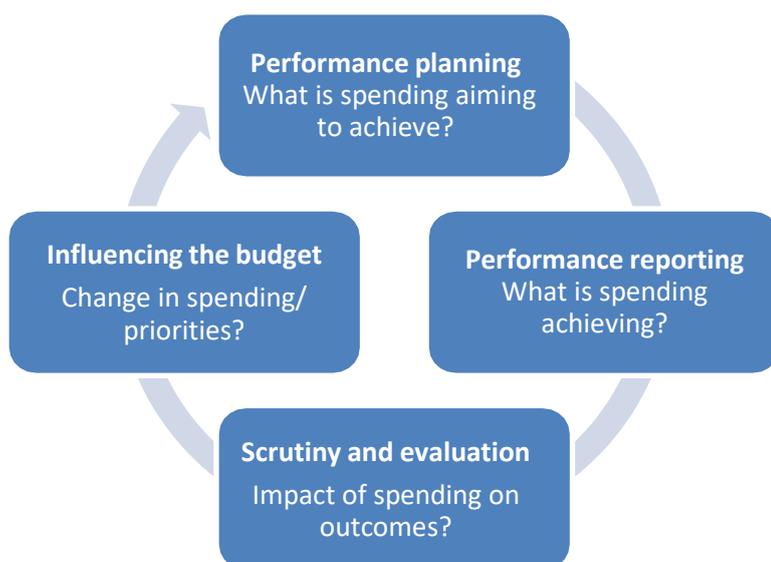


**Outcomes based budget scrutiny**

6. Outcomes based budget scrutiny underpins the approach for subject committee budget scrutiny. The Scottish Government has adopted an outcome-based approach to its objectives since 2007. Ministers are expected to work towards the shared objectives of government and a new emphasis was placed on partnershipworking with the whole of the public sector expected to contribute to the delivery of national objectives as set out in the National Performance

Framework (NPF)<sup>1</sup>, introduced in 2007 and last refreshed in 2018. The NPF provides public bodies with a range of high level, national outcomes towards which they should all be striving and a unified vision and quantifiable benchmarks against which future progress can be assessed.

7. This outcomes-based scrutiny approach is a key part of the budget process which provides a means for evaluating the economic and social outcomes being achieved by public spending. It involves bringing financial and performance information together, so that the impact of spending decisions can be better understood. This approach is illustrated below.



8. Public bodies and councils have an important role in delivering Scottish Government policy and contributing towards improved outcomes and decisions about their overall funding are a key part of the budget process. In adopting an outcomes-based scrutiny approach, committees should scrutinise the extent to which public bodies within their remit are spending their allocations well and achieving outcomes.

9. Public bodies publish corporate plans which set out in detail how they plan to use their available resources and they are required to consider the National Outcomes in carrying out their functions. Public bodies also publish a range of information about their performance in the application of public spending including annual reports and accounts.

10. Additional information to support outcomes-based scrutiny should include performance audit reports and annual audit reports on individual public bodies. These reports provide objective information and independent assessment on the public finances, performance and value for money. Audits often examine whether public money is being used to best effect to support the delivery of outcomes.

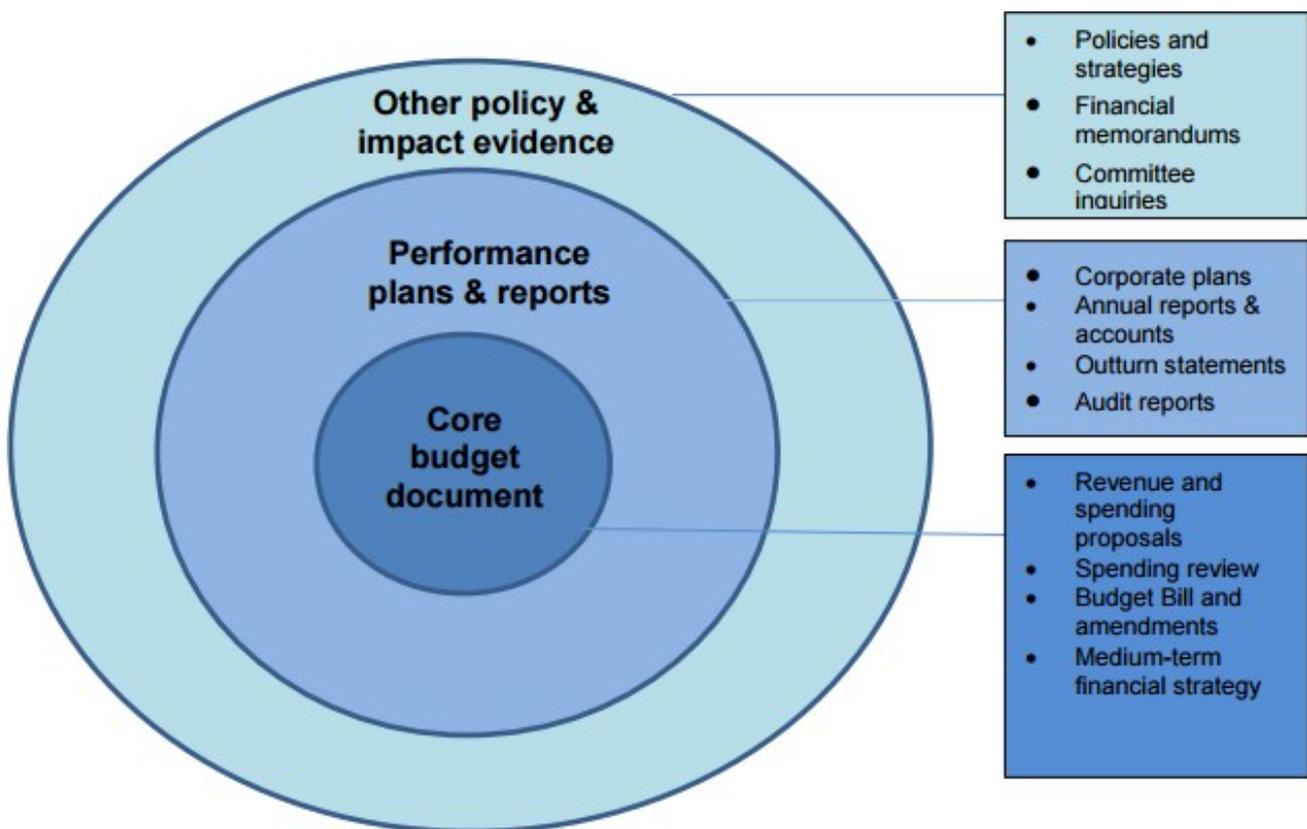
---

<sup>1</sup> <https://nationalperformance.gov.scot/>  
<https://www.gov.scot/publications/launch-of-national-performance-framework-2018/>

There is an ongoing programme of work undertaken on behalf of the Auditor General and Accounts Commission that can be drawn from to support outcomes-based scrutiny by committees. Auditor General Reports should continue to be considered by the Public Audit Committee in the first instance.

11. A critical aspect of the Parliament’s budget evaluation and formulation activity is that it is evidence-based so subject committees should also consider relevant Scottish Government and public body performance plans and reports, alongside other available evidence on the intended impact of policies and public spending and the effect these are having.

12. This helps the Parliament contribute to the evidence base available for policy setting and for it to influence the Scottish Government’s budget decisions. To support their scrutiny of selected themes or areas of activity, committees are able to draw on a basket of evidence drawn across a range of sources. This includes published material, as well as requesting written submissions and oral evidence sessions with ministers, Scottish Government officials, public bodies, service users and other stakeholders. The Group considered the range of evidence likely to be available to committees, and a summary of this is shown in the figure below—



13. The Group recognised that committees would be unlikely to be able to undertake detailed scrutiny of spend and performance in all areas under their remit every year. It concluded that it would be necessary for them to agree the themes or area of activity they wished to focus on, and those they wished to track through time. Considerations might include—

- the policy and spending priorities of the Scottish Government;
- significant areas of public spending or significant changes to spending levels;
- importance to specific national outcomes that the committee has an interest in, including overarching equality considerations; and
- where progress of national outcomes is slow or going in the wrong direction.

### **Pre-Budget Reports**

14. A key feature of the full year approach to scrutiny involves each committee writing to their respective Minister with their pre-budget report at least 6 weeks prior to the publication of the Budget. It should set out their views on the delivery and funding of existing policy priorities, any proposed changes and how these should be funded. This should include its findings on the impact of spending on outcomes and the implications of these findings for future spending plans, including any suggested changes to policy priorities or allocation of resources. The pre-budget reports would normally be published before the end of October.

15. There is no requirement for pre-budget reports to be sent to the Finance and Public Administration Committee.

16. In the Budget document, the Scottish Government will include a summary of how the Parliament's committees have influenced the formulation of the Budget. Ministers will then provide a more detailed response to individual committees' pre-budget reports within five sitting days from the publication of the Budget. Each committee will then have the opportunity to hear oral evidence from their respective Ministers on the detailed response.

### **Budget Bill and detailed revenue and spending proposals**

#### *Budget Bill - Stage 1*

17. The Scottish Budget will normally be published no more than three working weeks after the publication of the UK Budget.

18. The Scottish Government will ensure that the Budget document will include a summary of how the Parliament's committees have influenced the formulation of the Budget. Ministers will then provide a more detailed response to individual committees' pre-budget reports within five sitting days from the publication of the Budget. Each committee will then have the opportunity to hear oral evidence

from their respective Ministers on the detailed response.

19. Committees should then consider whether they are content with the Scottish Government's response and it is at this stage that the need for any alternative spending proposals is considered. Committees and individual Members will have the opportunity to propose **alternative revenue and spending proposals through reasoned amendments to the Scottish Government motion on the general principles of the Bill.**

20. Prior to the Stage 1 debate there will be a debate in the Chamber on the committee pre-budget reports and the response of Ministers in the Budget. It is expected that speaking slots will be provided for each committee convener or a representative of the committee. The debate will be led by the Finance and Public Administration Committee.

21. The Finance and Public Administration Committee will also produce a Stage 1 report on the Budget.

## **Medium Term Financial Strategy (MTFS)**

### *Timing*

22. The Scottish Government will publish an annual MTFS setting out its expectations and broad financial plans/projections for at least five years ahead on a rolling basis. This will be published each year following the UK Spring Statement and normally at least 4 weeks prior to summer recess.

23. As a result of the timing of the Scottish parliamentary elections, the previous Finance and Constitution Committee agreed with Ministers that the timing of the publication of the Medium-Term Financial Strategy (MTFS) and updated Scottish Fiscal Commission (SFC) economic and fiscal forecasts in May would not have been appropriate.

24. This Committee is in discussions with the Scottish Government and the SFC about the content and timing of the MTFS and will provide an update in due course. The SFC will publish their updated economic and fiscal forecasts at the end of August.

25. The Scottish Budget is normally published within 3 working weeks of the UK Budget. The UK Budget is now normally published in the Autumn but HM Treasury have yet to announce a date for this year. Ministers will agree a timetable for Budget 2022-23 with the Finance and Public Administration Committee once the date of the UK Budget is known and this will be published and shared with other committees.

### *Content*

26. The MTFS will provide an overview of financial implications of existing policy, so that these can be understood in formulating detailed budget proposals later in the budget cycle. More information on the MTFS, its formulation and

parliamentary scrutiny can be found in chapter 5 of Group's report.

27. The MTFS will consist of the following four elements –

- Forecast revenue and demand-led expenditure estimates from the Scottish Fiscal Commission and their effect on Scotland public finances;
- Broad financial plans for the next five years;
- Clear policies and principles for using, managing and controlling the new financial powers; and
- Scenario plans based on economic forecasts and financial information in order to assess the potential impact of different scenarios on the budget.

28. Subject committees should draw on the MTFS financial planning information related to their portfolio as part of their on-going budget scrutiny.

### **Equalities**

29. The scrutiny of equality issues was a core consideration for the Budget Process Review Group in considering the structure of the budget process and in recognition of the importance of equal opportunities in the founding principles of the Scottish Parliament. It is vital that the link between equality and budgetary considerations is maintained under the new budget scrutiny process.

30. Parliamentary committees should undertake public engagement on policy priorities and equalities issues, within their remit, prior to the publication of, and in order to inform, the Scottish Government's budget. They should also engage with service users as well as service providers in evaluating the impact of previous budgets.

31. As part of their scrutiny, committees should consider the Equality and Fairer Scotland Budget Statement which has been developed by the Scottish Government and the Equality and Budget Advisory Group and is published alongside the Budget document.

32. The Statement refers to the Public Sector Equality Duties, aimed at eliminating discrimination, advancing equality, and fostering good relations, and the Fairer Scotland Duty aimed at reducing socio-economic disadvantage. Both sets of duties apply to public authorities and the Scottish Government.

### **Climate Change**

33. In session 5 the Scottish Government stated that all ministers are climate change ministers. As part of their budget scrutiny, relevant committees are asked to scrutinise how proposed spending in their particular remit has taken account of climate change issues and will help the Scottish Government meet the targets set out in the [Climate Change \(Scotland\) Act 2009](#).

34. All committees are required to consider climate change issues when scrutinising their own relevant Scottish Government portfolios.

35. As a result of the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019, future Climate Change Plans will be required to include estimates of the costs and benefits of policies to reduce emissions. During Stage 2 of the Bill, the Scottish Government committed to working with the Parliament and stakeholders to review the current processes and outputs around Budget information as it relates to climate change<sup>2</sup> and the Joint Budget Working Group was established. For further information, Committees may want to refer to the Joint Review of Budget Interim Report (March 2021) which can be found at-- [Joint Review of Budget Interim Report March 2021\(2\).pdf \(parliament.scot\)](https://www.parliament.scot/joint-review-of-budget-interim-report-march-2021-2)

36. The following aspects were included in the Scottish Budget 2021-22 aimed at making short term improvements to the presentation of information to support effective, informed scrutiny—

- A taxonomy analysis of capital spend has been added to the main Budget document, categorising spend by a traffic light system of low carbon, neutral and high carbon spend. This analysis is in addition to that presented in the carbon assessment, which measures the greenhouse gas emissions impact of the whole Budget. In previous years, the taxonomy analysis of capital spend had been made available to Committees after Budget publication.
- A reference to the ongoing work of the Joint Budget review was made in the 2021-22 Budget document [pg. 171].

37. The 2019 Act also placed the monitoring framework for the Climate Change Plan on to a statutory footing for the first time, with sector by sector reports on progress and the inclusion of matters relevant to a just transition. This annual monitoring report must be laid by 31 May in each relevant year or, if the Scottish Ministers consider that is not possible because the information needed for the report is not available, as soon as reasonably practicable after that date. This timing is to enable the report to feed into pre-budget scrutiny processes.

38. This is the most recent monitoring report – <https://www.gov.scot/publications/climate-change-plan-monitoring-reports-2021-compendium/>

## **Finance and Public Administration Committee**

**22 June 2021**

---

<sup>2</sup> Official Report, 18 June 2019, column 54

## Annexe A Components of Budget Process

Activity	Purpose	Key documentation
<b>Budget evaluation and formulation</b>	Committees seek to influence the budget prior to firm proposals being published through constructive dialogue with ministers, public bodies and other stakeholders. This is based on evidence gathering, review and evaluation of existing policy priorities, how these are being funded and implemented and what is being achieved. This includes consideration of the financial, economic and policy context and should be a cumulative process throughout each session of the Parliament.	<p>Medium Term Financial Strategy (Post UK Spring Statement) – SG.</p> <p>Fiscal Framework Outturn Report (September) – SG.</p> <p>Performance planning &amp; reporting – SG, public bodies, auditors &amp; Public Audit committee.</p>
<b>Pre-budget reports</b>	Each committee writes to ministers at least 6 weeks prior to the publication of the budget setting out their views on the delivery and funding of existing policy priorities, any proposed changes and how these should be funded.	Pre-budget reports – committees
<b>Budget Bill &amp; Budget Document</b>	<p>Ministers publish Budget Bill and Budget Document no more than three working weeks after the UK budget. The Budget Document should include a summary of how the submissions from committees have influenced the formulation of the proposals alongside a Budget Bill. Within five sitting days of the budget being published ministers will provide a more detailed written response to individual committees. Ministers then provide oral evidence to committees.</p> <p>Committees consider whether they are content with the Government response and may suggest alternative proposals through</p>	<p>Budget Bill – SG</p> <p>Budget document incorporating Spending Review when undertaken – SG</p> <p>Ministerial responses to pre-budget reports – SG</p> <p>Other supporting documentation – SG</p> <p>Equality Budget Statement – SG</p> <p>Committee Pre-Budget reports</p>

	<p>reasoned amendments to the Government's motion on the general principles.</p> <p>Each committee convener is allocated time in a chamber debate on pre-budget reports.</p>	
<b>Budget Bill: Stage 1 debate</b>	Committee conveners move any reasoned amendments if selected by the Presiding Officer.	Budget Bill reasoned amendments (January) – Committees
<b>Budget Bill: Stages 2 &amp; 3</b>	Scottish Government may lodge amendments at Stage 2 and Stage 3. This may include in response to reasoned amendments agreed by the Parliament at Stage 1. If the Government does not intend to lodge amendments to reflect reasoned amendments agreed at Stage 1 then ministers must provide a written response in advance of stage 2 for consideration by the Finance and Constitution Committee.	<p>Ministerial response to reasoned amendments (February) – SG</p> <p>Budget Bill amendments (February) – SG</p>
<b>Budget Revisions</b>	Scottish Government may make Regulations to amend budget totals in accordance with any provisions in the Budget Bill. The Finance and Constitution Committee will consider whether it is content with these, making reference to a report on annual revenues & spending to date.	<p>Budget amendment Regulation (November / February) – SG</p> <p>Supporting documentation (November/ February) – SG</p> <p>Mid-year report on revenue &amp; spending (February) - SG</p>

# Annexe B

## Budget scrutiny infographic

