

Budget Process 2026-27: Guidance for Committees

Purpose

1. This Guidance aims to support parliamentary committees in relation to their scrutiny of the Scottish Government's Budget 2026-27. It should be read in conjunction with this [SPICe briefing on the budget process](#), which provides further background on the process itself.

Process

2. The budget process, as recommended by [the Budget Process Review Group \(BPRG\) in its 2017 report](#), is centred around four core objectives:
 - to have 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.
3. The process involves taking a strategic year-round approach to budget scrutiny, allowing parliamentary committees to build up an evidence base over time on the impact of spending in their portfolio areas. This approach enables committees to spread their work on budget scrutiny more evenly throughout the year, as part of their existing work programmes, and should also ensure more meaningful and informed scrutiny. Crucially, this process allows committees to have real influence on the spending proposals in the Scottish Budget, with committees reporting their views on what it should contain (including priorities and reprioritisation), as it is being developed by the Scottish Government, rather than once it has been published.
4. The BPRG saw the link between equality and budgetary considerations as being key to the budget process, particularly in recognition of equal opportunities being one of the founding principles of the Scottish Parliament. Each Scottish Budget is accompanied by an Equality and Fairer Scotland Statement which considers the impacts that decisions made in the Scottish Budget are likely to have on different groups of people in Scotland
5. Committees are asked to report their findings to their respective Ministers by letter or report, at least six weeks before the Scottish Government's Budget is published. Assuming an early to mid-December publication date for the Scottish Budget, pre-budget letters and reports would be expected to be published around the end of October/start of November 2025. There is no requirement for pre-budget letters/reports to be copied to the Finance and Public Administration (FPA) Committee.

6. The Scottish Government will then include within its Budget document (usually published in December) a summary of how parliamentary committees have influenced the formulation of the Budget. Ministers will provide a more detailed response to individual committees within five sitting days of the Budget being published. Each committee thereafter has an opportunity to invite oral evidence from their respective Ministers on the detailed response received.
7. [The Scottish Parliament's Standing Orders](#) (Rule 5.8) requires the Parliamentary Bureau to schedule time for committee pre-budget reports to be debated. This debate takes place prior to the Stage 1 debate (usually around late January/early February) on the Budget Bill. The information that SPICe now collects and shares¹ in relation to each committee's areas of focus for pre-budget scrutiny enables common themes to be identified and reflected in Committee Conveners' speaking notes for the pre-budget debate. In the last two years, this approach supported a more structured and 'joined-up' debate. However, the evidence gathered by the FPA Committee in its [Inquiry into the Scottish Budget Process in Practice](#) suggests that further improvements to the format and structure of the debate could be made. The FPA Committee is due to publish its Inquiry Report in late June 2025 and any changes arising will be implemented in time for the next session of Parliament.
8. Other than the FPA Committee, which scrutinises the Bill at Stage 2, there is no formal role for other committees beyond Stage 1.

Possible approaches to scrutiny

9. Committees are, of course, free to adopt approaches to pre-budget scrutiny that suit their work programmes and working practices, taking account of the BPRG report, this guidance, and other background documents including SPICe briefings. The BPRG report recommends that committees, in their final reports/letters, include views on the delivery and funding of existing policy priorities, any proposed changes and how these should be funded, and the impact of spending on the delivery of outcomes. More information on how committees might approach scrutiny of national outcomes as part of pre-budget scrutiny is provided in the section below on the National Performance Framework.
10. This year, the FPA Committee is focusing its pre-budget 2026-27 scrutiny on Responding to Long-Term Fiscal Pressures, drawing on the latest Scottish Fiscal Commission's Fiscal Sustainability Report, and considering the Scottish Government's key strategic financial planning documents, as highlighted in this Guidance.
11. The Committee notes that the Standards, Procedures and Public Appointments Committee has taken evidence on the importance of tracking committee impact and progress against recommendations during its ongoing inquiry into

¹ [The return of Budget Bingo – key themes in committees' pre-budget scrutiny for 2024-25 – SPICe Spotlight | Solas air SPICe \(spice-spotlight.scot\).](#)

Committee Effectiveness. The pre-budget process presents an opportunity for committees to consider the impact of their scrutiny and recommendations across Session 6 of the Parliament, and whether there has been progress made against priority areas. This may be particularly relevant to those committees that have taken a session-long approach to pre-budget scrutiny, and/or have heard from regular stakeholders consistently. Given the timing, the outcomes of a reflective approach may provide a useful basis for consideration of the budget scrutiny process in committees' Session 6 legacy reports.

Committees are encouraged to take a view on whether they are content with how the Scottish Government has responded to their pre-budget letter or report, based on the Budget document, the formal Ministerial response, and any oral evidence with the relevant Cabinet Secretary/Minister.

If any committee is not happy with how the Scottish Government has responded, it has the option of proposing alternative revenue and spending proposals by lodging a reasoned amendment to the Scottish Government motion on the general principles of the Bill (Stage 1).

The FPA Committee recognises that it is not possible for committees to undertake detailed budget scrutiny in every area within their remits. In fact, we want to ensure that committees have maximum flexibility in their approach to budget scrutiny. Committees may for example prefer to agree a particular focus each year, either on a specific policy area, or indeed budget areas that have seen significant changes. In addition to having such a detailed focus, it can also be helpful for committees to keep an eye on the bigger picture and trends in their portfolios.

This parliamentary session, the FPA Committee has taken the approach of asking witnesses when they propose additional spend in certain areas, to also say from which budget lines or tax increases these funds should come from.

Other committees may be interested in taking a similar approach, particularly given the significant constraints on Scotland's public finances.

Supporting documents

Background

12. This section of the guidance outlines how supporting documents can assist committees in their pre-budget scrutiny. Audit Scotland's performance reports, public body reports and Scottish Government strategies and plans relevant to your committees' remits may also be of interest, should committees wish to build up a fuller picture of how areas of their portfolios are performing against objectives.

The First Minister's Priorities

13. This year, the [Programme for Government \(PfG\) 2025-26](#) was announced earlier than usual, on 6 May 2025. It restated the same four priorities set out by the incoming First Minister in a [statement to the Scottish Parliament](#) a year earlier, on 22 May 2024, as follows—
- growing the economy,
 - eradicating child poverty,
 - tackling the climate emergency, and
 - ensuring high quality and sustainable public services.
14. In his Foreword to the PfG 2025-26, the First Minister said that it is “a programme designed to deliver renewed and strengthened public services and to ensure that people in Scotland are better protected during the cost-of-living crisis compared with elsewhere in the UK”.

Medium-Term Financial Strategy and related documents

15. The Medium-Term Financial Strategy (MTFS) sets out the Scottish Government's expectations and broad financial plans and projections for at least five years ahead on a rolling basis and is informed by Scottish Fiscal Commission's Economic and Fiscal Forecasts, which are usually published at the same time. Both documents are intended to inform committees' pre-budget scrutiny.
16. The Scottish Government has [delayed publication of the MTFS and related documents from the original timeline](#) (29 May 2025), however, the Scottish Fiscal Commission (SFC) [published its updated fiscal and economic forecasts](#) as intended on 29 May. SPICe published a blog on [Updated forecasts set the context for pre-budget scrutiny](#).
17. The table below provides an updated timescale for the MTFS and related publications as at the time of writing. Some publications have been delayed so to follow the UK Spending Review on 11 June.

Date	Publication	Summary of publication/additional info
29 May	SFC Economic and Fiscal Forecasts	These do not include policies or reflect the impact on Scotland of UK Spending Review (UKSR)
25 June	Scottish Government's (SG's) MTFS	Usually published annually in May. It sets out the SG's expectations and broad financial plans and projections for at least five years ahead on a rolling basis and is informed by SFC's Economic and Fiscal Forecasts.

25 June	SG's Fiscal Sustainability Delivery Plan	New document ² to “set out the Government’s plans to achieve and deliver sustainable public finances within the overall approach that is set out in the medium-term financial strategy”.
25 June	Framework for Scottish Spending Review (SSR)	<p>The BPRG recommended in its 2017 report that the framework document should set out “the economic and political context, the criteria which will govern the assessment of budgets and the process and timetable for the review.”</p> <p>The SG is considering announcing outcomes of SSR in Dec 2025</p>
25 June	Full SFC Economic and Fiscal Forecasts	Including policies and reflecting impact on Scotland of UKSR
June	SG's Public Service Reform Strategy	New document. This follows calls from the Auditor General for the Scottish Government to provide a clear plan and overall vision for the PSR Programme and from the Committee to make greater progress and show stronger leadership relating to reform.
26 Aug	SFC Fiscal Update	Reflecting developments since end June.
December	SG's Infrastructure Investment Plan pipeline refresh	Delayed from December 2023. The SG has said this has to be published after the UK SR and is considering publication in December 2025.
Unknown	Public Sector Pay Policy	Last year this was published in May, but it is unclear this year whether the SG will follow a similar timeline.

² Announced during a debate on fiscal sustainability on [29 October 2024](#)

SFC's Economic and Fiscal Forecasts – May 2025

18. On 29 May the [SFC published updated economic and fiscal forecasts](#), which set out projections for the Scottish economy, devolved tax revenues, and social security spending up to 2030-31. As the MTFS has been delayed, and the UK Spending Review will not be concluded until 11 June, these forecasts use the latest public information on the Scottish Government's policy approach and the latest assumptions for UK departmental spending from the OBR. [SPICe summarised these forecasts in a blog](#), key elements include:

- There has been little change to the economic forecast for Scotland. Growth expected in 2025 is slightly weaker reflecting the global slowdown since December 2024. A modest pick up is expected in 2026, but by historic standards growth remains low over the forecast period.
- Inflation has already increased in the year ending in April 2025, and the SFC expects that it will remain above the Bank of England's 2 per cent target for the remainder of the year before falling back to around 2 per cent for the remainder of the forecast period.
- The latest [labour market trends](#) publication from the Scottish Government shows that the estimated unemployment rate for January to March 2025 rose to 4.5%. The SFC forecasts that it will remain above 4 per cent throughout 2025-26, and remain relatively static throughout the forecast period.
- The outlook for real earnings growth remains muted – while positive it hovers around or just below 1 per cent throughout the forecast.
- While there is little change in the economic outlook, the picture for public finances in Scotland has been influenced by some external events. The OBR has upgraded its expectation for earnings growth in the UK and is now much more similar to the SFC's outlook for Scotland. The reduction in the difference between the Scottish and UK outlook is expected to impact the block grant adjustment for devolved income tax, which will impact the 2027-28 Budget.
- The SFC now expects greater social security spending due to the Scottish Government policy to mitigate the two-child cap, which adds £200 million to the cost of delivery in Scotland. At the same time, policy changes announced by the UK Government this year will reduce social security spending in the rest of the UK, and therefore reduce the block grant adjustment funding provided to the Scottish Government by £400 million per year. These two trends, combined with existing Scottish Government policy to introduce new benefits and to broaden access to existing ones, mean that the cost of delivering social security in Scotland is expected to exceed social security BGAs by over £2 billion per year by 2029-30.

SFC's Fiscal Sustainability Reports

19. The [Scottish Fiscal Commission's first Fiscal Sustainability Report](#) published in March 2023 continues to provide committees with broader context on the long-term fiscal position for their budget scrutiny. Looking ahead 50 years (the SFC

projects spending and funding up to 2072-73), the Report focused on demographic trends and highlights that the forecast changes to population structure will “translate into different levels of demand for public services, with higher pressure on health services and reduced demand for services used by younger people, such as education”.

20. Two years later, the SFC in its [Fiscal Sustainability Report – April 2025](#) updated these 2023 demographic trends and included a specific focus on health spending, highlighting that “the Scottish Government will face significant challenges funding devolved public services in the future, particularly over the next twenty-five years [...] because the population in Scotland will age earlier than in the rest of the UK”. The SFC identified an ‘annual budget gap’¹, which it describes as “the Scottish specific fiscal sustainability challenge”, averaging - 1.5% between 2030-31 and 2049-50 and -0.9% between 2050-51 and 2074-75 “... because demographic pressures in Scotland are greater than in the rest of the UK over the next twenty-five years”.²
21. The SFC further explained that “under a scenario of worse population health, we project the annual budget gap to reach minus 4.0 per cent by the end of the projection”, but if the gap “is improved by better population health,” it could be a “positive 6.2 per cent”. During evidence to the Committee on [29 April 2025](#), the SFC stated that—

“It is worth emphasising that the fiscal gains are really coming from healthy life expectancy. Having people in good health for longer reduces your spend per head. If we were to put on only our fiscal hats, how to improve healthy life expectancy is the thing that we would focus on.”
22. In between publishing these full fiscal sustainability reports, the SFC on 14 March 2024 produced a paper on [Fiscal Sustainability Perspectives: Climate Change](#) which explored “how climate change could affect the Scottish Government’s fiscal sustainability”. It considered “the potential effects on Scottish public finances from damage created by climate change, the costs of adapting to a changing environment and taking action to meet Scotland’s statutory emissions targets to reach net-zero by 2045”, as well as looking at “how the sustainability of the devolved public finances is affected by the interaction of the fiscal framework with the policy choices made by both the UK and Scottish Governments”.
23. The SFC argued that “Governments will ... need to encourage private investment in mitigation by using taxation and regulation as levers for change”, noting that while the Scottish Government has fewer levers overall than the UK Government to reduce emissions, it does have the ability to introduce some environmental taxes which can effect behavioural change. It further recommends data improvements to inform its future work on fiscal sustainability and to improve transparency and accountability.
24. From 2024-25, the Scottish Government’s Climate Change Assessment of the Budget includes an expanded taxonomy of capital and resource spend, with the aim of improving information on the climate impact of public spending decisions

in Scotland. Previous taxonomy categorised capital spending as either low, neutral or high carbon. The new taxonomy data renames low and high carbon spend as positive and negative to show how it aligns with the Scottish Government's intended outcomes and is split to identify low and high impact spend within these categories. However, as noted by [SPICe in a blog from November 2024](#), the document does not allow for an understanding of how this spending will contribute to meeting Scotland's climate targets or what outcomes will be achieved by this spending.

25. The Scottish Government is expected to publish its Climate Change Plan in the autumn 2025.

National Performance Framework: National Outcomes

26. According to the Scottish Government, the [National Performance Framework](#) (NPF), introduced in 2007, “describes our ambitions, providing a vision for national wellbeing across a range of economic, social and environmental factors”¹. It sets out the “strategic outcomes which collectively describe the kind of Scotland in which people would like to live and guides the decisions and actions of national and local government”. Currently, there are 11 national outcomes, which are measured for progress against 81 national indicators.
27. The BPRG recommended that the NPF “is used more widely by Parliament and its committees in evaluating the impact of previous budgets” and in particular that subject committees should revisit budget documents and assess the extent to which previous spending plans are delivering the national outcomes”. An inquiry into the NPF by the FPA Committee [reported in October 2022](#) that “the NPF is not currently seen to drive financial decisions nor as a mechanism by which organisations are held to account for spending effectively.”
28. The Community Empowerment (Scotland) Act 2015 requires the Scottish Government to undertake a statutory review of the national outcomes every five years. A number of Committees were involved in the scrutiny of the proposed National Outcomes during the course of 2024. During the debate on the Parliament’s scrutiny, [the Deputy First Minister announced on 8 January 2025 that a comprehensive review would be carried out of the NPF](#). This is currently underway, with the [Scottish Government stating](#) that it is “committed to a period of reform of [National Performance Framework](#) to support the development and implementation of a more strategic and impactful framework for Scotland”.
29. During this period of review, the NPF website has been archived, so is not being updated. However, the Scottish Government notes that the current 11 National Outcomes are still in operation, as is the duty on public bodies ‘to have regard’ to them (as set out in the Community Empowerment (Scotland) Act 2015).

Financial transparency

30. One of the BPRG's core objectives for the budget process is to improve transparency. This aligns with the Scottish Government's [Scotland's Open Government Action Plan 2021-25](#)⁹ published on 25 March 2022, which aims to "promote Open Government values of openness, accountability, transparency and involving people", across three policy areas it identifies as priorities, one of which is Financial Transparency³.
31. The Scottish Government is now publishing [analysis by classification of functions of Government \(COFOG\)](#) alongside the Scottish Budget, an internationally approved and consistent way of identifying spending under set definitions, for example, health, education, housing, economy, etc. This information also provides parliamentary committees with improved transparency in terms of budget information by area of government rather than by Ministerial portfolios which often change at the start of, and at times also during, a parliamentary session.
32. In its blog on [key themes in pre-budget 2025-26 scrutiny](#), SPICe states that "for the past two years, transparency has been the most prominent focus of committee recommendations, with accountability not far behind [...but] this year, that balance has shifted heavily towards a focus on accountability". It went on to say that "Committees are showing frustration and clearly looking to the Scottish Government to take a more proactive approach to meet current and predictable future challenges, and to take a clear strategic lead in delivering transformation".

Possible considerations for committees

Under the all-year budget process, committees can begin their pre-budget scrutiny at any time, and they do not, therefore, need to wait until the MTFS and related documents are published.

Given the economic and fiscal context, one option would be for committees to concentrate their pre-budget 2026-27 scrutiny on where spending should be allocated to make the most impact on delivering the four priorities restated by the First Minister in his Programme for Government 2025-26 that sit within their portfolios. These four priorities are eradicating child poverty, growing the economy, tackling the climate emergency, and delivering better public services.

³ Climate Change and Health and Social Care are the two other Scottish Government Open Government priorities.

Committees may alternatively wish to focus their scrutiny specifically on how capital spend within their portfolios should be allocated to achieve the most progress against the First Minister's four priorities, in particular, growing the economy and tackling the climate emergency.

Evidence gathered on how capital spend should be allocated to achieve most impact against the First Minister's four priorities, could be used to influence the priorities in the infrastructure investment plan pipeline refresh, which is expected to be published in December alongside the Scottish Budget.

The MTFS and related documents being published in June, could be used by committees to provide some context for their pre-budget scrutiny, including assessing the risks around spending in particular areas within their portfolios. Committees could also examine the assumptions made for these forecasts, and the degrees of built-in uncertainty.

Committees may also wish to explore implications for their portfolios of the 'Scottish specific fiscal sustainability challenge' with demographic pressures in Scotland being greater than in the rest of the UK over the next 25 years (as highlighted in the SFC's Fiscal Sustainability Report – April 2025). For example, preventative health measures could narrow the annual budget gap, while under the scenario of worsening healthy life expectancy it would widen, and fewer teachers and schools may be required if birth rates continue to fall as projected.

Another option would be for committees to establish the extent to which the Scottish Government's public service reform plans in their portfolio areas have changed with the Public Service Reform Strategy, how the Scottish Government plans to allocate spending to deliver better public services, and how outcomes of these reforms will be measured.

Committees could explore in more detail the adequacy of spending associated with delivering the First Minister's priorities relating to equalities, and/or how the Scottish Government's policies within committees' specific portfolios might impact on particular groups of society, and where any spending changes might be made to tackle inequalities.

SPICe has concluded that the expanded taxonomy data published alongside the Scottish Budget (referred to above) has only a limited impact on the ability of Parliament to understand or scrutinise the impact of the Budget on Scotland's climate. The main limitation is that the categorisation of spend into positive, neutral and negative does not quantify the impact of this spend on environmental outcomes. So, while the taxonomy will allow Parliament to track the proportion of spend categorised as positive for the environment over time, it is not possible to establish whether any increase in positive spend will lower emissions, and whether any changes set a course to meet net zero targets.

Committees could assess how this data might be enhanced to be more helpful and transparent. SPICe is able to help support committees to start asking the Scottish Government questions around improving and making this data more transparent. This could draw on the SFC's climate change perspectives paper from March 2024 and inform scrutiny of the Scottish Government's Climate Change Plan expected in the autumn 2025.

Committees may wish to scrutinise the impact of spending on the delivery of existing national outcomes, where relevant to their remits. They could also look at whether any new outcomes in particular areas would make it easier or more difficult to demonstrate how they link with budget decisions, to feed into the Scottish Government's comprehensive review of the NPF taking place during 2025.

Committees may wish to build in questions to their budget scrutiny around the ability to track funding and spending, to hold the Scottish Government to account on its commitments around transparency and to explore whether fiscal transparency has improved from previous Budget documentation.

SPICe is also able to help support committees to start asking the Scottish Government questions about comparative COFOG and other information, as part of their budget scrutiny.

Ongoing support

In November 2023, SPICe updated its briefing document on [Key Issues for Session 6](#) which may provide some useful updates for committees to consider in their pre-budget scrutiny.

In November 2024, SPICe published an [overview of common themes found across Scottish Parliament committees' pre-budget scrutiny letters for the 2025-26 Scottish Budget](#).

There are numerous approaches that committees can take in relation to pre-budget scrutiny, some of which are set out in the blue boxes in this Guidance as examples. Additionally, FPA Committee Clerks and SPICe colleagues are happy to work with committees in helping to shape approaches that best suit individual committee priorities.

Finance and Public Administration Committee
June 2025