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airson Ionmhas

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Kenneth Gibson MSP
Convener
Finance and Public Administration Committee
The Scottish Parliament

By email to: FPA.committee@parliament.scot

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Dear Kenneth,

Budget Transparency and Fiscal Information

Thank you for your letter of 21 September providing the Finance and Public Administration Committee's views and proposals on Budget transparency, as well as broader fiscal information.

I welcome the committee's comments on the progress the Scottish Government has made on fiscal transparency.

I agree that the additional explanatory information provided with Budget revisions has been a positive addition in recent years and I welcome the ongoing engagement the committee continues to take forward with the Minister for Community Wealth and Public Finance and Scottish Government officials in this area.

Publication of Scottish Budgets by "Classification of the Functions of Government" (COFOG) is a further example of our commitment to fiscal transparency and I can confirm to the committee that the Scottish Government will again publish this information alongside the 2024-25 Scottish Budget.

I have considered the specific proposals you make for further development. Taking these in turn;

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Budget Revision transfers and Scottish Budget comparators

The committee has expressed a desire for further information on budget transfers and separately, for Scottish Budget documents to publish outturn and latest forecasts as prior year comparators to the budget being proposed.

I believe these points are linked. The scale and volume of transfers between portfolios is one of the key challenges to producing a Scottish Budget document with the comparators as suggested.

The majority of internal transfers are moving budgets from the policy lead area to the appropriate delivery body, based on policy accountability at official level. Providing the comparators as suggested could lead to some incorrect conclusions being drawn on the trajectory of funding for some lines where there are significant transfers across portfolio as part of our in-year budget management arrangements.

Notwithstanding this, I understand the basis of the committee's request and I will give careful consideration to what changes can be made to, or additional disclosures can be provided alongside, the Scottish Budget document.

Publication of the Guides to budget revisions in a more prominent section of the Scottish Government's website.

Following previous requests from both the Finance and Public Administration Committee and the Public Audit committee these documents are published on the Scottish Government's website. Going forward these documents will sit alongside all other relevant supporting documents for each applicable budget revision.

How changes to multi-year spending plans can be presented in budget documentation to enable organisations to better plan their spending, and support Parliament to scrutinise these changes effectively year-on-year.

As the committee will be aware, the Scottish Budget is subject to a broad range of funding and spending volatility and we must continually assess our spending plans in the light of a range of factors. The annual MTFs allows me to take a longer term view, and as I look ahead to the remainder of this parliamentary term, I also anticipate that The UK General election and other economic factors may have a material impact on our Barnett position in the next three financial years.

Multi-year spending plans were published in the Resource Spending Review and Capital Spending Review Update in May 2022. These set the parameters for the years up to 2026-27, recognising that certainty is provided in our annual budgets. This year I have further committed to publishing, for the first time, updated multi year spending envelopes when the 2024-25 Budget is laid before parliament in December. While unlikely to be at the same detail or certainty of the annual budget figures, this will give organisations greater confidence in the trajectory of Scottish public finances to enable them to better plan their spending. It will also demonstrate the impact of the changes in the financial outlook on medium-term spending plans, supporting Parliamentary scrutiny.

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Ways of presenting the reserve balance and allocation plans in a more transparent and understandable manner.

The Scottish Government already provides considerable detail on the Scotland Reserve and latest forecast balances through the outturn processes, the medium term financial strategy, the fiscal framework outturn report and in the “Guide to the Budget Revisions” we provide for the committee.

I would emphasise that the Scotland Reserve is never a fixed position and is always a forecast subject to outturn changes from previous years and in-year forecasts for the current year.

Individual announcements of some spending commitments utilising reserve or other funding can be made in between publications, in response to emerging circumstances. I will consider how sources of funding for any such announcements can be made clearer.

How greater transparency can be achieved in relation to the level of resource funds that might be available for allocation during the Budget process, rather than “finding new money” at Stage 3 of the process.

The draft Scottish Budget is usually laid before parliament in December, with the conclusion of stage 3 normally occurring around two months later. I would stress to the committee that the Scottish Government allocates all of its **confirmed** funding in the Scottish Budget when it is initially drafted – money is not being held back at this stage and all funding is transparently disclosed in the Budget document.

Whilst the largest blocks of our funding, such as the Block Grant and Scottish Income Tax figures, are effectively confirmed at the start of this process, there is still scope for judgements on those smaller, largely non-recurring funding elements to be refined in this two-month period in response to changing circumstances.

I will continue to engage with this committee, and parliament more broadly, on what can be done to increase transparency in this area, but I would emphasise that this will require all parties to recognise that these funding changes will always represent a risk based judgement on how funding is likely to change in response to evolving circumstances.

When the remaining barriers to producing whole of government accounts, which was committed to in 2018, will be addressed.

There have been positive discussions with Audit Scotland around developing the most suitable format for the proposed Whole of Government Accounts. There were unexpected difficulties and delays accessing data via the UK OSCAR system as originally planned, but work continues to deliver an account which will be transparent and informative, with progress being made.

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