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Sent via email

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Dear Kenneth,

Finance and Public Administration Committee Evidence Session on 27 January 2026

Thank you for the opportunity to discuss the Scottish Government's approach to the 2026-27 Scottish Budget with the Committee on 27 January. At the session, I committed to follow-up on several areas to further support the scrutiny work of the Committee, and further details are enclosed in this letter. I have also provided an update around the Committee's earlier recommendation on its Lithuania visit, and on the Local Government funding recommendation in the Committee's Budget Scrutiny Report which it sought an update on in advance of stage one.

1. 2025-26 comparator figure relating to housing

Funding for the Affordable Housing Supply Programme (AHSP) comprises of Capital, Financial Transactions and Transfer of Management of Development Funding (TMDF). The relevant 2025-26 ABR and 2026-27 budget figures are as follows:

Level 3 Budget	2025-26 ABR Budget £m	2026-27 Draft Budget £m	2026-27 Increase %
More Homes - Capital	593.470*	670.225	12.9%
TMDF - Capital	92.245	92.245	0.0%
Total Capital	685.715	762.470	10.9%
More Homes - FTs	80.000	163.400	104.3%
Total AHSP	765.715	925.870	20.9%

*The original published figure was £595.500m

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Regarding the Committee's query about the nil FT budget shown for ABR 2025–26, table 10.02 in the budget document sets out the total Level 2 budget for Housing and Building Standards. Within this, there is a budget line showing £80 million of FT income. From a presentational perspective, this income is netted off against the corresponding £80 million of FT expenditure within the AHSP. As a result, the overall FT allocation appears as a nil figure in the 2025–26 ABR.

2. Profile of PPP payments across portfolios

Transport PPP Question – *Transport PPP costs have increased by roughly 42.6% since 2024-25, why?*

The increase in 2026-27 arises from the higher profile of capital repayments linked to inflation indices, financing costs and lifecycle profiles on four PFI contracts for Aberdeen Western Peripheral Route, M80, M8 and M77.

PPP Profile across Portfolios Proposed Response – *Why are PPP costs not presented consistently across portfolios in the Level 4 workbook?*

The budget sets out funding allocations rather than recording specific areas of expenditure. The level of budget disaggregation is variable across portfolios.

In response to feedback from the Committee, action has been taken to present Public Private Partnership (PPP) allocations more consistently throughout the Budget Level 4 Workbook.

Where specific allocations exist for PPP contract repayments, these have been highlighted in the Level 4 workbook using consistent language across portfolios.

For budget lines that include funding available to procuring authorities for PPP contract repayments, this has been highlighted in the Level 4 workbook under the 'What it buys' column. This indicates that the public body has annual contractual PPP obligations and may allocate part of its baseline funding toward repayments. In portfolios such as Health and Justice, funding available for PPP repayments is incorporated into the baseline budgets of the procuring authority (e.g. Health Boards and the Scottish Prison Service).

Annual cost figures for each PPP contract across the Scottish Public Sector are published online and can be accessed [here](#).

3. SNIB – explanation of the £34.6m CDE figure in 2025-26 ABR position

The total block grant settlement for financial transactions (FT) at the time the 2025-26 Scottish Budget was set was £167.4 million. The level of available FT funding was less than was required to meet the £200 million per annum commitment to capitalise the Scottish National Investment Bank by £2 billion over 10 years.

The shortfall of £32.6 million was funded through the Fiscal Capital budget ensuring that the opening budget available for investment was at the targeted level of £200 million. This funding was supplemented at the 2025-26 Autumn Budget Revision with £25 million of financial transactions budget cover carried forward through the Scotland Reserve following an underspend from SNIB. There was also a £2 million transfer of fiscal capital budget from Offshore Wind bringing the total Fiscal Capital Budget to £34.6 million. This took the total ABR

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budget available for investment to £227 million alongside the £394k of non-cash budget to cover depreciation and amortisation costs.

For the 2026-27 Scottish Budget the block grant settlement for Financial Transactions was £245 million and therefore no fiscal capital budget was required to supplement SNIB's total allocation.

4. Public Sector savings – providing the framework/pro-forma/questions used for savings analysis and Portfolio Efficiency and Reform Plans

Finance and Local Government Portfolio Efficiency and Reform Plan

The Portfolio Efficiency and Reform Plans set out details of approx. £1.5 billion of cumulative savings over the Spending Review period, progressing our ambitious reform agenda set out in the Public Service Reform Strategy and Fiscal Sustainability Delivery Plan. These plans as published represent a snapshot of our progress against the reform agenda set out in the Public Service Reform Strategy and Fiscal Sustainability Delivery Plan. By design, the plans will evolve as portfolios' reform activity matures. We will monitor the plans on an ongoing basis to allow us to assess progress as the reform agenda develops.

The Finance and Local Government Portfolio Efficiency and Reform Plan includes Local Government's contribution to efficiencies and savings. This is provided in the "Other Efficiencies and Reform" line which shows a savings contribution of £128 million over the spending review period. These savings will be delivered at individual Local Authority level and, as with all savings in the Portfolio Efficiency and Reform Plans, these savings will be retained locally.

Further examples of key Local Government reform and efficiency activities are set out in the narrative, noting that Local Government will have the flexibility in how they find savings that fit their local circumstances, and also noting that these savings do not preclude Local Government working in partnership with other Public Bodies to progress reform and efficiencies.

Framework/pro-forma/questions used for savings analysis and Portfolio Efficiency and Reform Plans

During summer 2025, deep dive sessions were held with all Portfolios, including a line-by-line review of spending to scrutinise forecasts, discuss reform and efficiency plans, and maximise the value for money of investments, delivering on Scottish Government's priorities. Follow up discussions were held through Ministerial bilateral meetings as part of the Budget process. Aligned to this work, the proforma provided for Portfolio Efficiency Plans is set out **Annex A**.

5. Information on how many of 60,000 ADP claimants are both in and out of work

I advised Mr Hoy that I would clarify if it is possible to provide figures on the employment status of people with anxiety related conditions who are receiving Adult Disability Payment. Social Security Scotland does not collect employment information as part of the Adult Disability Payment application process as it is a non-means tested benefit intended to help people with a disability or long-term health condition that affects their everyday life, and eligibility is not linked to whether someone is in work.

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6. National Performance Framework/ Lithuanian comparison

Last year, the Deputy First Minister set out that whilst the NPF remains an important vision for the type of place Scotland should be, it was clear that more substantial reform of the NPF was needed.

We plan to have the next iteration of the NPF ready to launch around the start of the new Parliamentary session. This will cement the vision for Scotland and guide decisions from the outset.

Officials had productive meetings with a number of MSPs last Autumn, including members of this committee, during which we highlighted that officials had conducted an international evidence review of good practice and held conversations with several other countries as well as the OECD. These countries include Wales, Estonia, Ireland, Northern Ireland, Canada, the Netherlands.

A core objective of NPF reform is to improve how we do government, including better alignment of policy and budgetary decisions with the national outcomes, supported by robust data and evidence to better track progress and effect change. International evidence highlights that when countries place a strong focus on implementation, embedding a wellbeing approach does change decision-making and lead to coherent action to progress towards long-term outcomes. This requires building processes and using data to embed a change in the way decisions are made. The next iteration of the NPF will be supported by a commitment to continuous improvement which will include learning from international good practice through our contacts and networks.

On the advice of the committee, officials from the Scottish Government's Strategy Division met with relevant officials from the Lithuanian Government, including the Strategic Analysis Centre (STRATA), to learn more about the Lithuania 2050 approach.

The Lithuania 2050 model clearly offers a robust model for setting and delivering against long-term priorities. The discussion between officials of both governments provided helpful insights into how the 2020 Law on Strategic Management forms a legislative underpinning for aligning various strands of government work, and how the Lithuanian Parliament's Committee for the Future provides an important forum for collaboration as well as government accountability.

The Scottish Government will give full consideration to any applicable lessons from the Lithuania 2050 approach and other international good practice.

7. Finance and Public Administration Committee Budget Scrutiny Report **Recommendation 61 – Local Authority Funding**

This 2026-27 local government finance settlement is the result of meaningful budget engagement with COSLA and Councils. I recognise the financial challenges that local authorities face, which is why we have provided a Budget which builds on the Verity House Agreement and Fiscal Framework agreement and delivers a 2% real term increase to the local government settlement compared to the 2025-26 Budget.

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Next Steps

I trust that the Committee finds this information useful and I look forward to our ongoing engagement throughout the Budget Bill process this month.

Yours sincerely,

SHONA ROBISON

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Annex A – Proforma for Portfolio Efficiency Plans

Proforma table for completion:

£ million	2026-27	2027-28	2028-29
Efficiencies and Productivity, of which			
[Set out separate rows of enabling activity – examples below]			
Digital Improvements		X	X
Shared Services		X	X
Workforce Savings		X	X
Service Reform, of which			
[Set out separate rows of enabling activity – examples below]			
Portfolio Reform Plans	X	X	X
Joined up Service delivery with Partner organisation	X	X	X

Portfolio Efficiency Plans – portfolio narrative

Portfolios must demonstrate a credible approach to delivering against the savings targets. Portfolios are asked to provide narrative outlining reform and efficiency activity in their area, including in relation to specific public bodies, with reference to key enablers such as digital reform, automation, estates, procurement and reform of service delivery and the public body landscape, workforce measures. This should set out how the savings and reform activities are being implemented.

Activity should be structured under the two category headings as set out in the FSDP:

- **Efficiencies & Productivity** - business improvement and increased productivity to secure the same or better outputs for lower cost; and
- **Service Reform** - changing the way we deliver services to secure the same or better outcomes for lower cost in the longer term.

This structured approach priorities transparency and supports comparability across portfolios and provide a base for future monitoring of progress against the savings targets.

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