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The Scottish Parliament  
Edinburgh  
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24 March 2026

Dear Kenneth

### **Finance and Public Administration Committee Evidence Session on 17 February 2026**

Thank you for the opportunity to discuss the Scottish Government's 2025-26 Spring Budget Revision (SBR) with the Committee on 17<sup>th</sup> February. 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.

### **Social Security Scotland**

Given the significant reduction in forecast costs as part of the SBR, the committee asked for details on the circumstances where existing Adult Disability Payment ('ADP') recipients would no longer receive payments. The committee also asked if there had been any changes to the authorisation methodology or approach to advertising which could have impacted these figures.

Parliament legislated unanimously for ADP to be a non-means tested benefit intended to help disabled people and those with a long-term health condition with basic everyday tasks - such as getting washed or getting dressed - which many people who are not disabled might take for granted. It is important to emphasise therefore that eligibility is not linked to whether someone is in work. Clients may leave the Adult Disability Payment caseload for a range of reasons, including changes in their condition or moving out of Scotland.

There has been no change to Social Security Scotland's decision-making methodology. It is a priority for Social Security Scotland to make the right decision first time, and the organisation continues to monitor performance to ensure consistent and accurate decision-making across all benefits.

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Any changes in caseload numbers are therefore not the result of a change in decision-making methodology but reflect normal operational factors such as changes in an individual's condition at review or clients moving out of Scotland.

The Social Security Charter commits the Scottish Government to helping people access all the benefits they are entitled to, using a value-for-money mix of paid and unpaid communications led by research and insight. Although Adult Disability Payment had no paid advertising in 2025, Social Security Scotland promoted it through social media, media engagement, stakeholder partnerships, and distributing materials in community settings, with a particular focus on supporting decision-making and improving awareness of processes such as Special Rules for Terminal Illness. A broader stigma-reducing, take-up-encouraging campaign also supported this work.

Communications is one factor, alongside many others, that can impact on benefit take-up. Therefore, it is challenging to be able to directly attribute changes in take-up rates for individual benefits to marketing and communications activities alone.

## **Climate Action and Energy**

In respect of the returned capital funding within the Climate Action and Energy portfolio the committee asked what alternative uses of the funding were considered to retain the sums within the portfolio.

Repurposing these underspends within the CAE portfolio on new projects wasn't taken forward for a number of reasons, including:

- The ability to design and deploy spending plans effectively by the end of the financial year.
- As 2025-26 is the final year of the parliamentary term and a number of programmes were drawing to a close, consideration of new longer term capital projects has been taken forward as part of the Scottish Spending Review (published in January) rather than in-year.
- The multi-year nature of programmes and commitments. For example:
  - Offshore Wind Investment Programme, the majority of the CAE return (£102 million), has a PFG commitment to invest up to £500 million over 5 years, with the programme and allocations designed to reflect market demand across the spending review period.
  - Grangemouth Just Transition Fund is a multi-year £25 million commitment, with 2026-27 receiving allocations to further support this commitment.
  - Energy Transitions. There are multiple activities within this area where the profile of capital programmes is being developed in tandem with the draft Climate Change Plan.

Savings released from the Environmental Services budget (£15.8 million) were due to individual assessments of feasibility and value for money, with the majority of savings being delivered from the flood risk management capital budget (£11.3 million). This relates to single year funding for activities in support of launch of the National Flood Resilience Strategy; on further development, initial planning assumptions did not meet the necessary VFM and

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delivery feasibility and alternative options to deliver those objectives were taken forward at significantly lower cost.

It was therefore considered most beneficial to return these funds to the corporate centre to support reduction of Scotwind utilisation in 2025-26 and support for 2026-27 priorities.

## **Housing**

The committee requested details on what had driven the £15 million of additional financial transaction receipts and the £27 million reduction in demand-impacted heat in buildings capital expenditure.

Housing receipts are demand led in nature as they are generated from house sales. Given this, receipt income remains difficult to predict. Receipts received to date in 2025-26 have exceeded initial forecasts. Whilst the portfolio retained the majority of these excess receipts for consideration for further investment, the portfolio surrendered £15 million to support the wider financial position.

The capital reduction relates to the following savings:

- £6 million reduction in budget for Social Housing Net Zero.
- £2 million reduction in Public Sector Estates.
- £5 million reduction in Home Energy Scotland grant and loan scheme.
- £1 million reduction in SME Loan and Cashback schemes.

Further underspends as a result of grants being withdrawn or projects no longer taking place have since emerged and these, along with a £4.5 million repayment related to a billing error from 2024-25, were included in the amount released at the SBR.

## **Transport Scotland**

Further details on the £38.4 million of funding returned for projects within Ferry Services were requested by the committee. You also requested details on the increase of £10 million in funding required for the concessionary fares scheme and the extent to which operators are compensated for the under-22s and over-60s schemes.

## **Ferry Services**

The release of £38.4 million was driven by the reprofiling of vessel procurement and harbour works, drydock repairs and a reduction to resilience payments required.

The capital underspend released at SBR had no impact on the Annual Overhaul process which are mandatory and delivered by CalMac through the Clyde and Hebrides Ferry Services contract. Additional sums have been invested in recent years to improve fleet sustainability to

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provide a more resilient service for customers and communities. It is not uncommon for capital spends to be reprofiled across financial years depending on the timing, scope and extent of works required on major investments.

### Concessionary Fares

There was an increase in the resource budget of £10 million for demand led reimbursements for Concessionary Travel Schemes. This increase was primarily driven by forecast pressures, with the Older and Disabled Persons Scheme (ODPS) experiencing higher than expected patronage during the year as well as higher than expected fare increases implemented by bus operating companies.

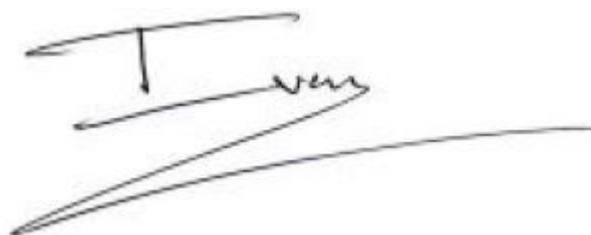
Bus Companies are compensated based on a percentage of the adult single fare for each journey made under the schemes. Separate rates are subject to negotiation between the Confederation of Passenger Transport (CPT) and industry representatives and agreed annually for the ODPS (which has one rate) and the Young Persons Scheme (YPS) (which has two rates, one for 5-15 year olds and another for 16-21 year olds).

Scottish Ministers have an objective (but not a duty), set out in legislation, to ensure that bus operators are financially no better or worse off as a result of their participation in the National Concessionary Travel Schemes (NCTS).

### Education and Skills

Finally, the committee asked if the £186.5 million transfer from Education & Skills to Local Government to support teacher numbers was baselined or if it would be repeated in 2026-27. As set out in table 4.15 of the 2026-27 Scottish Budget document, the amount has initially been retained in the Education and Skills portfolio and will be transferred to Local Government in year.

Yours sincerely



**IVAN MCKEE**

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