Budget process– Subject Committee Guidance

Introduction

1. The aim of this paper is to provide guidance to parliamentary committees on the budget process. Last year was the first year of the new process for budget scrutiny and guidance was issued in April 2018 based on the Budget Review Group’s review of the budget process\(^1\) and revised the Written Agreement\(^2\).

2. The Guidance provided details of the framework and objectives of the new approach and information on outcomes based scrutiny. This paper should be read in conjunction with that guidance.


3. The budget process has 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. The revised process introduces a more strategic year-round approach to budget scrutiny, with more emphasis on what spending is achieving. The increased focus on outcomes involves parliamentary committees building up an evidence base over time on the impact of spending. This is a significant change from how the budget has been scrutinised in the past.

\(^1\)http://www.scottish.parliament.uk/S5_Finance/Reports/BPRG_-_Final_Report_30.06.17.pdf

\(^2\)https://www.parliament.scot/S5_Finance/General%20Documents/20180517WA_with_SG.pdf
5. This is the second year in which committees will adopt this new approach. In March 2018 the Scottish Parliament and Audit Scotland held workshops with parliament officials who had been involved in supporting committees' budget scrutiny. The aim was to share experiences of the first year of the new budget process and identify how best to build on this. A summary of workshop discussions on how the first year of the new process worked is attached at Annexe A.

**Budget evaluation and formulation**

6. 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 which underpins the new process.

7. Committee’s should build on the evidence gathered last year, and any evidence gathered throughout the year during its scrutiny of issues within its remit. Committees can also use information contained in public body annual and performance reports, reports from the Auditor General and Accounts Commission, Scottish Government publications such as the Medium Term Financial Strategy (MTFS) and the National Performance Framework (NPF).

8. The second MTFS was published on 30 May³ and contains the latest fiscal outlook for Scotland which is underpinned by the latest SFC forecasts for devolved taxes and social security spend. It contains the Scottish Government's plans for a spending review beyond 2020-21 and states that the aim of publishing the spending review framework is to help inform committee's pre-Budget scrutiny and maximise the opportunity for others to influence the Scottish Budget.

9. To accompany the MTFS, and to support a more outcomes-based approach to budget scrutiny, the Scottish Government also published a National Performance Framework “baseline” report on the 30th May⁴. This provides a snapshot of current performance across a range of outcomes and indicators. The NPF website provides a useful summary⁵ on overall performance.

**Pre-Budget Reports**

10. A key feature of the new 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.

11. **There is no requirement for pre-budget reports to be sent to the Finance and Constitution Committee.** In the Budget document, the Scottish Government will

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⁴ https://nationalperformance.gov.scot/scotlands-wellbeing-report

⁵ https://nationalperformance.gov.scot/measuring-progress/performance-overview
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**

12. The new approach to scrutiny means that the Scottish Government will no longer publish a Draft Budget prior to publishing the Budget documents. The Scottish Budget will normally be published no more than three working weeks after the publication of the UK Budget.

13. Once the Budget documents and responses to pre-budget reports are published, Committees should consider whether they are content with the Scottish Government’s response. Following oral evidence from their respective Minister, Committees may consider in private at that meeting whether they are content with the evidence or whether the Committee may wish to agree to propose alternative revenue and spending proposals by lodging a reasoned amendment to the Scottish Government motion on the general principles of the Bill.

14. 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. Speaking slots will be provided for each committee convener or a representative of the committee. The debate will be led by the Finance and Constitution Committee.

15. The Finance and Constitution Committee will also produce a Stage 1 report on the Budget.

16. The timescale for parliamentary scrutiny is expected to be broadly similar to last year’s timescale which is attached at Annexe B.

**Conclusion**

17. The Committee recognises that there are a number of competing demands on the work programme of all committees and that the new approach to budget scrutiny will remove the constraints associated with the tight timescales previously set for the scrutiny of Draft Budget documents. Committees will now undertake a full year approach to Budget scrutiny which should be more effective in influencing the Scottish Government’s spending decisions and help committees develop a cumulative understanding of spending decisions within their respective portfolios and the impact of these decisions on outcomes.

*Finance and Constitution Committee*

*May 2019*
Annexe A

Summary of key themes from budget process workshops

The groups considered two questions:

- **What was your experience of the new budget process?**
  - Did it feel different to previous years?
  - What worked well? What didn’t work as well?

- **What more do we need to do to embed and improve the new process?**
  - How can we support the year-round approach to budget scrutiny?

There is support for the new approach. Key changes to process were successfully introduced, providing a good initial foundation to build on.

- Committees responded well to the new budget process, producing pre-budget reports and participating in the pre-budget debate.
- The Scottish Government demonstrated its commitment to the revised process and met key commitments: publishing a Medium-Term Financial Strategy and Fiscal Framework Outlook Report and responding to pre-budget reports.
- While some aspects did not feel significantly different to previous years, this was perhaps to be expected in the first year of the process. Committees’ pre-budget reports did not appear to influence the budget directly and much of the focus on scrutiny continued to be on the budget documents.
- Guidance to committees on influencing the budget through reasoned amendments to the stage one motion on the Budget Bill could be strengthened to provide further clarity on timings.
- A strategic approach to pre-budget scrutiny is likely to be more successful in influencing the budget. This would be likely to include a consistent focus on key themes of interest to the committee, building an evidence base over several years and broadening scrutiny work.
- The first year of the new budget process has created momentum, which provides a good foundation on which to build.

Committees are exploring different ways to build an evidence base over time to inform their pre-budget scrutiny. This includes seeking the views of a wider range of stakeholders and individuals.

- The new budget process provides an opportunity for public bodies and people who use public services to speak to subject committees about the impact of public spending on the services they are delivering or receiving.
• To help build an evidence base over time, committees are thinking about who they take evidence from and how they do this. There are opportunities to hear from a wider range of perspectives and draw on different sources of evidence (including public bodies’ annual reports and Audit Scotland reports).
• It is important that public bodies and other stakeholders are aware of the new budget process and understand their role in supporting pre-budget scrutiny. There is an opportunity for committees to influence and improve public bodies’ performance reporting over time by asking for specific information, such as published annual reports, regularly as part of the cycle of budget scrutiny.

Committees face challenges in taking a longer-term and outcomes-based approach to budget scrutiny.

• Changes in committee membership and parliamentary officials can make it difficult for committees to take a long-term view and to focus their budget scrutiny on a specific subject over an extended period. Agreeing a long-term plan for budget scrutiny for the committee may help to support a more strategic approach, similar to that taken by the Health and Sport Committee.
• Clearer links between spending and intended outcomes / the National Performance Framework should make it easier for committees to scrutinise whether spending is having the intended impact.
• Often evidence and data on outcomes does not exist or is not publicly available, which makes it difficult to assess the impact of spending. More use can be made of the evidence and data that is available.
• Changes in Scottish Government policy or strategy over the short-term can make it challenging to track progress against priorities and outcomes over time.
• Committees could find it helpful to focus on broad scrutiny questions about where public spending has been directed, what difference it is making, and what is working or not working well.

There is scope for more collaborative working to look at cross-cutting themes and take a whole-system approach to budget scrutiny.

• Subject committees broadly reflect ministerial portfolios, but the outcomes that spending is aiming to improve often span more than one portfolio area / committee.
• There may be opportunities to create more space for cross-committee working (such as joint enquiries) to help support improved budget scrutiny in cross-cutting areas. Improved signposting to relevant evidence and sharing of information between committees could also help.
• There is scope for officials in the Scottish Parliament, Scottish Government and Audit Scotland to work together throughout the year and share information that will help support committees’ budget scrutiny.

The new budget process provides an opportunity to take a significant step forward in how spending is scrutinised. It is an ambitious approach and will require cultural change. Change will be incremental and embedding the process fully will take time.

• The new budget process emphasises the importance of taking a year-round view of spending and thinking about the budget in broader terms than the figures in the annual budget document.

• A more strategic approach to budget scrutiny should allow committees to embed financial scrutiny into everything they do, drawing from all their work in considering pre-budget reporting. Improving financial scrutiny is the first step towards influencing the budget and, ultimately, helping to ensure the efficient use of public money to improve outcomes for the people of Scotland.

• The new process marks a significant shift in approach to budget scrutiny. It will take time for committees to establish their own approach and identify how they can best influence and shape the budget. This is likely to require a degree of cultural change.

• There will not be a ‘one size fits all’ approach to budget scrutiny across subject committees. Sharing examples of approaches and successes will help to maintain the momentum created during the first year of the new process.
### Timetable for last year’s budget scrutiny

<table>
<thead>
<tr>
<th>Event</th>
<th>Proposed Date</th>
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<tbody>
<tr>
<td>Subject Committee Budget Reports Submitted (2 days after UK Budget)</td>
<td>Early Nov 2018</td>
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<tr>
<td>Publication of Scottish Budget</td>
<td>12 Dec 2018</td>
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<tr>
<td>Publication of associated documents</td>
<td>12 Dec 2018</td>
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<tr>
<td>(Pay Policy, Carbon Assessment, Equality Budget Assessment,</td>
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<td>Scotland Performs update, Devolved Taxes Methodology)</td>
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<td>Publication of Level 4 budgets</td>
<td>12 Dec 2018</td>
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<td>Budget Bill Introduced</td>
<td>19 Dec 2018</td>
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<tr>
<td>Parliamentary Scrutiny</td>
<td>13 Dec to 25 Jan</td>
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<td>Recess</td>
<td>21 Dec to 5 Jan</td>
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<td>Subject Committee Budget Debate</td>
<td>wc 21 Jan</td>
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<td>Budget Bill Stage 1</td>
<td>wc 28 Jan</td>
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<td>Budget Bill stage 2</td>
<td>wc 4 Feb</td>
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<tr>
<td>Recess</td>
<td>wc 11 Feb</td>
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<tr>
<td>Scottish Rate Resolution</td>
<td>wc 18 Feb</td>
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<tr>
<td>Budget Bill Stage 3</td>
<td>wc 18 Feb</td>
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