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Finance and Public Administration Committee

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Wednesday 2 September 2026

Session 7

The Scottish Parliament
Pàrlamaid na h-Alba

Wednesday 2 September 2026

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FINANCE AND PUBLIC ADMINISTRATION COMMITTEE
3rd Meeting 2026, Session 7

CONVENER

*Clare Haughey (Rutherglen and Cambuslang) (SNP)

DEPUTY CONVENER

*Alan Brown (Kilmarnock and Irvine Valley) (SNP)

COMMITTEE MEMBERS

*Liam Kerr (North East Scotland) (Con)
*Michael Marra (North East Scotland) (Lab)
*Liam McArthur (Orkney Islands) (LD)
*Kim Schmulian (Glasgow) (Reform)
*Pauline Stafford (Bathgate) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Claire Murdoch (Scottish Fiscal Commission)
Professor Graeme Roy (Scottish Fiscal Commission)
Dr Eleanor Ryan (Scottish Fiscal Commission)

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Finance and Public Administration Committee

Wednesday 2 September 2026

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Clare Haughey): Good morning and welcome to the third meeting in session 7 of the Finance and Public Administration Committee.

I have received no apologies for today's meeting.

The first item of business is a decision on whether to take agenda item 3, on the committee's work programme, in private. Do members agree to take agenda item 3 in private?

Members indicated agreement.

Scottish Fiscal Commission (Publications)

09:30

The Convener: The next item on our agenda is to hear from the Scottish Fiscal Commission on its "Fiscal Update—August 2026" report and other recent publications.

I welcome to the committee from the Scottish Fiscal Commission: Professor Graeme Roy, who is the chair; Dr Eleanor Ryan, who is a commissioner; Claire Murdoch, who is head of fiscal sustainability and public spending; and David Stone, who is head of economy and income tax.

Before we begin, I remind our witnesses not to worry about turning on their microphones during the session, as they are controlled by broadcasting. If you wish to come in on a discussion, please raise your hand or indicate to the clerks.

I invite Professor Roy to make an opening statement.

Professor Graeme Roy (Scottish Fiscal Commission): Good morning, everyone. Thank you for having us, convener. As this is our first public appearance in front of the committee, I put on record that we look forward to supporting you and your fellow committee members over the course of this parliamentary session.

I will start by providing a brief overview of the reports that we published last week. In our fiscal update, we presented the economic and fiscal developments since our forecasts in January at the time of the last Scottish Government budget. Since then, we have seen the global economic outlook weaken. With rising energy prices, inflation is expected to be higher than we forecast. That could further squeeze household incomes and place added pressure on public spending. Low-income households are likely to continue to be hardest hit, as they spend a greater share of their income on essentials such as food, energy and housing, and typically have less flexibility to absorb rising costs.

We also note the change in the United Kingdom Government, with a new Prime Minister and Chancellor of the Exchequer, which may lead to changes in the UK's fiscal plans. Any changes to UK spending plans announced in the UK budget on 28 October, including on the balance between devolved and reserved responsibilities, may well affect the Scottish Government's funding.

This year, additional UK Government funding has improved the Scottish Government's position for 2026-27. However, the outlook for 2027-28 remains more challenging. Current funding forecasts suggest that day-to-day spending could fall after taking account of inflation. The capital budget was already forecast to fall after taking account of inflation, and efforts by the UK Government to fund its defence investment plan are expected to further reduce capital funding for the Scottish Government.

Our report discusses the Scottish Government's public sector efficiency plans. As the committee will recall, the Scottish spending review in January involved tight settlements for all parts of the public sector. It was also underpinned by commitments to efficiency savings. The spending plans for this year, for example, relied on delivering £563 million of planned savings, including significant savings from national health service boards. Failure to achieve those savings would present difficulties this year and increase pressure on future budgets.

One area of reform was in public sector employment. However, with the size of the devolved public sector workforce rising over the past year, there does not—at least from the public data—seem to be progress so far on the Government's planned reductions in the workforce. Higher inflation may also increase pressure for larger public sector pay awards than is currently planned for.

Transparency in the delivery of planned efficiencies and the scale of emerging pressures will help the committee to understand the choices that lie ahead. At the start of this parliamentary session, the Scottish Government has an opportunity to provide a clear update on progress towards its planned efficiency savings and to identify any new or emerging pressures for this year and next.

I will move on to our "Forecast Evaluation Report—August 2026" in which we evaluated our December 2024 forecasts for the economy, fully devolved taxes and social security in 2025-26, and our December 2023 forecast for Scottish income tax revenue in 2024-25.

We overestimated income tax revenue by £209 million in 2024-25. With overall income tax revenue of £18.6 billion, that is a small relative error of 1 per cent. However, despite our relatively small error, funding for the Scottish budget will be reduced by £720 million through a reconciliation in 2027-28. That is driven by the fact that, for that year, both our forecast error, and the forecast error from the Office for Budget Responsibility for the block grant adjustment, contributed negatively to funding, leading to reduced funding for the Scottish budget. We noted that the scale of the reconciliation is likely to exceed the Scottish Government's borrowing limit for such purposes next year.

We also published our "Statement of Data Needs—August 2026", which sets out the progress on data availability and the areas where further improvement is needed. We commend the Scottish Government on the improvements over the past nine years and the presentation and range of information on the Scottish budget. However, we also identify areas where the transparency of the budget could still be improved. For example, improvements in how planned in-year transfers between different spending portfolios are presented in the budget would help Parliament better understand the Government's plans.

The Convener: Thank you for your opening statement, Professor Roy. We will move to questions.

Liam McArthur (Orkney Islands) (LD): Good morning. Thank you very much for your opening statement, which set the scene well.

You talked about the commitment in the fiscal sustainability delivery plan to the public sector workforce reduction of 0.5 per cent, and the fact that the figure appears to have risen during 2025-26. Can you set out the reasons for that in any more detail? Are those reasons likely to pertain in the coming years—the consequences of the Government not getting on track on workforce reductions?

Professor Roy: We have highlighted the issue for several years, and the reason why it is so important is because about 55 per cent of the Scottish Government resource budget goes on pay for those working in the public sector. Therefore, anything that happens in relation to the size of the workforce or pay awards has a significant impact on the amount of money that the Government has to spend on public services.

I will highlight two things. The first is on the point about the rising public sector workforce numbers. That has been the trend since devolution. The Government has set out targets to reduce the workforce by 0.5 per cent each year for five years, but the data that we have so far suggests that the workforce has actually increased. We do not know whether that is a planned increase before changes come through during the next few years. That is why the Government update will be useful.

When we have asked where the planned savings will be made, we have been told that they are going to affect non-front-line workers, but what does that mean and what does that look like? There were some indications yesterday about the reform that will happen. What is happening in public sector employment will be key during the next two to three years.

The second thing I will highlight is pay. One reason why there is pressure on the budgets is not only the growing public sector workforce, but what has happened with pay awards. They have been relatively more generous than in the rest of the UK. A larger public sector workforce and more generous pay awards have led to increased pressure on the budget.

Liam McArthur: It might be too early to say, but were there indications in the statement from the First Minister and the programme for government yesterday to suggest that getting back on to the trajectory that was set out in the sustainable delivery plan is more likely as a result of some of those changes?

Professor Roy: What we heard yesterday, and also in the updates that the Government has published on the future of the public sector more generally, is that there is a clear ambition or direction of travel to consider consolidation and efficiencies. However, our point is that we need to see that happen. Transparency on it is crucial. As we had in January, we have again had broad statements on ambition, but the reality about whether the numbers move in the direction that the Government says they will move will come through during the next few years.

Liam McArthur: I appreciate that it was never likely that the process for workforce reductions would be linear, but is it surprising that, having set that ambition, the first move is for the figures to go up, which will then require greater reductions in subsequent years.

Professor Roy: Purely arithmetically, if the number rises at the start then bigger savings will have to be made further down the line.

As I said, it is not only about the increase and the decrease. We also need to know what is meant by “non-front-line workers”. Where are those workers, and what will be the effect? Quite a lot of detail still needs to be put together on the plans for public sector pay and public sector employment in general.

Alan Brown (Kilmarnock and Irvine Valley) (SNP): I will ask a few questions about the fiscal framework and the fiscal settlement. We continue refer a block grant, because that is what it was originally, but there have obviously been different variations under the Scotland Acts and the Scottish Government is now responsible for raising a lot more revenue. Is it correct to talk about the block grant as a unit?

I have a press release from the UK Government from last year that says that the block grant for the Scottish Government hit £50 billion, but I presume that that is not the case—it is not a block grant of £50 billion, because the Scottish Government has partial responsibility for revenue raising, which can have future impacts. Is that correct?

Dr Eleanor Ryan (Scottish Fiscal Commission): As you will have gathered, the fiscal framework is very complicated. It is all set up to retain the Barnett formula, so the block grant still exists as a thing. The way it works is that the block grant is calculated in the way that it would have been before the devolution of the tax powers and so on and, as you say, there are then the block grant adjustments. Money is deducted from the block grant because of taxes that the UK Government no longer collects in Scotland and the Scottish Government collects instead. Then there is money that is added on for social security, which has been devolved.

You ask whether it is correct to still talk about the block grant, and I completely understand the point, but it still exists as a concept in the calculation. It is still the single biggest component of Scottish Government funding, so it is still a big driver of how much money there is.

Alan Brown: On that £50 billion figure in the headline, it is a theoretical £50 billion because of the responsibility of the Scottish Government to make up, say, 40 per cent of that, and risk and liabilities come with that. It is not a physical block grant of £50 billion; it is an allowance to spend £50 billion with baked-in reconciliations.

Dr Ryan: There are certainly elements where the Scottish Government has control and therefore carries more risk around the tax receipts and so on. You are absolutely right that it is not a case of saying, “Here is a block grant of £50 billion. There you go—now go and spend it.” That is not the world we live in any longer. However, both the Scottish Government and the UK Government still pay a lot of attention to the block grant, because it is a big part of the funding.

Professor Roy: This is another way to think about: if the Scottish Government set exactly the same tax policies as the rest of the UK and the Scottish tax base performed exactly the same as that of the rest of the UK, the block grant would be how much would come in each year to the Scottish budget. It is in essence the combination of the block grant, the tax powers and the BGAs. If those two cancel each other out, you are back to where you were initially with the block grant.

By us forecasting the tax revenues for the year ahead and the block grant adjustment also being forecast for the year ahead, the Government in essence has a fixed amount of money at the start of each year, so the reconciliations come in only once we have outturn data further down the line.

Alan Brown: The reconciliation obviously affects future budgets, which is where we are at the moment with the £700 million.

Professor Roy: Yes.

Alan Brown: On that point, Professor Roy, you said that the current reconciliation gap of £700-odd million is higher than what the Scottish Government can use from the fiscal reserve. Therefore, in effect, that bakes in an additional cut, because the Government cannot do the in-year balancing. Does that mean that the fiscal reserve policy should be reviewed to allow a greater reconciliation process?

Professor Roy: In essence, the reconciliation is adjusting for the fact that the Scottish Government had too much money in one year and the outturn data showed that revenues were less than what, for example, we thought they were going to be. Therefore, it is a reconciliation back. In essence, the Government is not losing any money—it is just a timing adjustment.

That then gets into the question of how we manage those timing adjustments within the fiscal framework. One of the concerns up until the most recent review of the fiscal framework was that the borrowing limits and the limits in the reserve were fixed. As income taxes were rising because of inflation, the capability of the Government to smooth those reconciliations was not there.

09:45

Following the most recent review, the borrowing and reserve limits have started to increase in line with inflation, so a degree of protection has been provided. However, when the fiscal framework is next reviewed, in 2028, consideration should be given to the options that are open to any Government to smooth expenditure when there are volatilities through forecast error rather than through deliberate attempts to change policies. There is a question about whether the scale of the errors that we are seeing can be managed with the Government's current flexibilities relating to borrowing, the reserve and other revenues that it can call on.

Alan Brown: Am I correct in thinking that the Scottish Government cannot build up the reserve too much in any one year? It cannot put away a lot of extra money to minimise the risk of underpredictions in the future, because there is a limit to what it can put away and the rest would go to the Treasury. Is that correct?

Professor Roy: There is a limit on how much the Scottish Government can put into the reserve and a limit on how much it can borrow. Of course, putting more money into the reserve means spending less money today. Recently, the Scottish Government has used other flexibilities, such as the Crown Estate revenues from ScotWind, which are, in essence, sitting in a bank account and can be used by the Government. However, as the Government takes on more risk and as revenues rise, there is a genuine question about whether the Government's flexibilities to manage that are still as robust as they need to be.

Alan Brown: Can I ask a couple of questions about capital funding, convener?

The Convener: I will bring in Liam McArthur, who has a supplementary question on what you have been asking about, and I will come back to you.

Liam McArthur: During the review in 2028, will the limits and thresholds need to be considered, or are there other things—for example, the phasing of funding—that could allow the whole system to work more smoothly and predictably for the Government?

Professor Roy: The previous review considered how the framework was working in relation to the Government's ability to manage its balance over time, and the big change was that some of the limits started to be indexed by inflation. We informed the review by setting out the scale of the variability in relation to the reconciliation, which could be a bit bigger than the borrowing or reserve limits, so they could potentially be increased. Given that there can be a very big reconciliation for very small forecast errors, as there is now, it is worth looking again at whether the limits make sense.

More speculative or broader issues could then be considered, such as how more funding flexibility could be built in over a longer period. We have regularly gone on about the need for multiyear funding settlements at the UK and Scottish levels. If we rely purely on one-year settlements, with the Scottish Government knowing only what funding it will get next year, not the year after, how can it plan how much to save or borrow this year? If we can move towards multiyear settlements, as the current UK Government is planning to do and has done, that will be positive.

There are other issues, such as the fact that the Government can only put money into the reserve. The reserve cannot be negative, so there cannot be an overdraft, even in the short term. The Government also cannot borrow for anything other than forecast error on the revenue side. Does that make sense for a Government that is managing a £60 billion budget? Those are the sorts of questions that the review should consider.

Liam McArthur: Are there equivalent situations elsewhere, or is it unusual for a Government not to be able to have a negative reserve, even if it remains within set limits?

Professor Roy: The Scottish framework is unique. On the general principle, the fact that a Government with a big budget of £60 billion cannot go one penny over seems slightly strange.

Pauline Stafford (Bathgate) (SNP): Thanks for the updates. I have a quick follow-up question. Professor Roy, you mentioned that this negative income tax reconciliation is the largest that there has been but that it is based on the smallest forecasting error. Is it likely that the reconciliations will be larger and larger each year, and will you change anything about the way in which you do things, based on this year's experience?

Professor Roy: Dr Ryan can cover that.

Dr Ryan: On the basis of one reconciliation, I do not think that there is anything to suggest that we should expect a trend of reconciliations getting larger and larger. As Professor Roy said in his opening remarks, the reconciliations come about due to a combination of the error in the Scottish Fiscal Commission's forecast of the income tax revenues and the block grant adjustment that is calculated from the OBR's forecasting at UK level. In many previous years, both we and the OBR have been wrong in the same direction, but that leads to opposite-direction errors, which partially cancel each other out when we come to the reconciliation. That would probably be more common. However, when it comes to the fiscal framework review, we have to be aware of the possibilities of the risk of bigger reconciliations as income tax revenues grow, on both UK and Scottish Government sides.

Pauline Stafford: I appreciate that that interaction can make it difficult. Do you have an opinion on what changes, following a review of the fiscal framework, would be most effective in smoothing that out?

Professor Roy: That comes back to some of the stuff about what the flexibilities are within it. Ultimately, reconciliations are about ensuring that what is raised in Scotland is spent in Scotland. Because we do not know what is going to happen, we have to make a forecast. The reconciliations are about making sure that the outturn data equals the forecast, so that everything is balanced and the Scottish Government does not get too much or too little money relative to the fiscal framework. The question then is, how much flexibility is there to plan for that? How much can be put into the reserve, to be saved there for unlocking in the future? How much can be borrowed? Can that money be built up over time? What flexibilities of other revenues are there to smooth the money around?

To build on Eleanor Ryan's point about the size of the reconciliation, one thing that has happened is that, because inflation has been so high, the amount of income tax revenue that has been collected has grown significantly. Although £700 million sounds like a big number, it is relatively small compared with £18 billion, whereas, 10 years ago, when the framework was first set, revenues were £8 billion. The numbers are now much bigger for the Government to manage, but one of the key reasons for that is inflation.

Alan Brown: You have estimated that the capital block grant for 2026-27 might be cut by as much as £70 million because of funding being diverted to defence. Clearly, that decision will not be made until the October UK budget. Does that really give the Scottish Government enough time to deal with the issue, if capital spending has already been committed?

Professor Roy: Eleanor might want to come in as well. In general, the capital budget is already under significant pressure, so that just adds to the pressure when it comes to the overall cut. The capital budget has declined, and is projected to decline in real terms.

Alan Brown: Are the predicted pressures on the capital budget roughly £2 billion by the end of the parliamentary session?

Professor Roy: In what sense?

Alan Brown: Politicians talk about a £5 billion spending gap to be plugged. I thought that that involved something like £2 billion in capital.

Professor Roy: I see what you mean.

Alan Brown: How much of that gap is due to cuts in the capital budget, rather than a predicted overspend?

Professor Roy: Essentially, the £2 billion figure that the Government published back in May 2025 was based on the funding that was available at that time and what it planned—would like—to spend. That is where the £2 billion comes from.

Clearly, if less money is coming in for capital, the Government has less to spend, so there is a gap. The Government has other sources of revenue for capital: it can borrow and it can also use money from Crown Estate Scotland—money from ScotWind has been earmarked and allocated for capital investment in net zero, so the Government could use that.

To come back to your first point about the Barnett formula, the block grant is the single biggest source of the Scottish Government's capital budget. Anything that happens to that at UK level, whether that is more investment in capital or investment shifting into areas such as defence, has direct implications for the Scottish budget.

Alan Brown: We have already discussed the fact that the Scottish Government is planning to make efficiencies to balance the capital and revenue budgets. There is also a projection for efficiencies of something like £8 billion in the final year of the UK Parliament. What sort of risks does that bake in for the Scottish Government? You have said that there is no multi-year funding settlement and that the Scottish Government does not know what it will get in the future. If the UK Government makes big cuts to offset its predicted shortfall and to keep within its spending rules, does that create a further possible cliff edge?

Professor Roy: The UK Government has set out multiyear spending reviews for the Scottish Government. That did not happen in the past, but it has started to do that. That does not mean that that could not change. There is a new chancellor and there will be a budget at the end of October. The UK budget is one of the key moments in our budget cycle because it determines the block grant for both resource and capital.

We can talk about the upside and downside and about how those could change. On the upside, we have a new Prime Minister, who might take a different view on public spending and the public finances, which might lead to more Barnett consequentials. Historically, more money has flowed through as we move through a spending review, but there is no guarantee of that—we know from the spending review so far that a lot of the pressure over the next few years will be at the UK level. That is the positive side. On the negative side, we know that the UK Government is facing quite high borrowing costs at the moment and that it is quite close to the limit of its fiscal rules. We also know that that Government has set out ambitions to spend more money in certain areas, such as defence, that would not come with Barnett consequentials, which is a potential risk for the Scottish budget in the next few years. A lot of risks are shared at UK and Scottish level, but it is really important that the Government sets out how it will manage all of those and deliver its own efficiency savings.

Alan Brown: Are you saying that all increased defence spending, if it is met from other budgets and does not come from an increase in the overall UK budget, will, by default, mean cuts to the Scottish budget?

Professor Roy: Yes, exactly. The Barnett formula is based on comparable spending in devolved areas. Defence is not devolved, so, if a UK Government takes money out of comparably devolved areas in order to spend on defence, and if all else remains equal, the same level of public spending would reduce the consequentials coming through.

Alan Brown: The Scottish Government might have only a few months to deal with that if it is in-year spend.

Professor Roy: That is why the point about multiyear spending reviews is so crucial. If you can plan using multiyear spending reviews so that the kind of changes you are talking about are much more at the margin, the Government will have greater flexibility to manage them.

You mentioned an allocation of £70 million for 2026-27, but that is still within a budget of £7.3 billion. I am not saying that that is insignificant, but it is in the context of a very large budget.

Kim Schmulian (Glasgow) (Reform): We saw the Prime Minister's speech of yesterday getting a negative response from the bond markets, which is presumably likely to have an impact on the choices that the Scottish Government can make regarding borrowing for capital projects and will inevitably give less wriggle room. How big is that impact likely to be?

10:00

Professor Roy: Do you want to come in on that, Dr Ryan?

Dr Ryan: You will be aware that the Scottish Government can borrow through the national loans fund from the UK Government, or it can issue its own bonds—it has said that it will. Again, it is the all-else-being-equal scenario: if UK borrowing is more expensive, it depends on how the UK Government responds to that. If it chooses to cut UK spending, that could have an impact on the Scottish budget, depending on where it made the cuts, as Professor Roy explained. If it decided to do something else, such as raise revenue through tax, the impact would again depend on what the UK Government's choices were and whether the taxes were equivalent to devolved taxes in Scotland.

Overall, if UK borrowing is more expensive, it is likely that that will have some impact on the Scottish Government, either directly through the Barnett formula or the fiscal framework, or potentially through the borrowing costs to the Scottish Government.

Pauline Stafford: I have a question on the Scottish Government's programme for government, which we heard about yesterday. The Scottish Government said that it will continue to advance its bond programme. What do you see as the role of the Scottish Fiscal Commission in scrutinising the assumptions that will underpin the Scottish Government's progress on that?

Professor Roy: The independent fiscal institution has a couple of roles. First, having an independent fiscal institution that makes independent forecasts and being able to comment on that is seen as good governance in the overall international capital market. The fact that we exist and sometimes say helpful things to Government and sometimes say unhelpful things to Government but do it in an independent way is a key part of the role in a very indirect way, because it gives markets confidence that we have robust fiscal institutions.

Ultimately, the decisions on borrowing and the particular different ways that it borrows are for the Government to make. Our role is to comment on the reasonableness of the Government's assumptions on borrowing. Once it makes decisions on that, we will set out the amount of spending, what any costs of repayment are likely to be and how that fits with the Government's cap. We would also highlight any issues such as whether it is coming close to its cap limits and what that might mean for other areas.

Our job is very much to assess that in a commentary way. We would not comment on whether it was a good idea or a bad idea. We try to make sure that it is as transparent as possible.

Pauline Stafford: Would you look at the implications for the capital budget?

Professor Roy: Yes. We always have a section on capital in our budget reports. We take the Government's assumptions on what it plans to do on capital funding, including capital borrowing, and we trace that through to what it plans to do on capital spending. Clearly, if it plans to borrow more, that would increase funding, which would then come through into the capital spending lines. However, we would also include the costs of repayment and trace that over time.

Liam Kerr (North East Scotland) (Con): Good morning. Professor Roy, you have mentioned Crown Estate revenues a few times. Your submission says that the SFC estimates that there might be £859 million more available than expected in 2026-27, but that it will be more constrained in 2027-28. The suggestion on Crown Estate revenues is that, rather than drawing down an anticipated £80 million this year, the Scottish Government could hold that and use it in future years.

First, could you help me to understand how much of the planned Crown Estate revenues are attributable to ScotWind? When does that money become available, and are there any restrictions on using it, or is the main limitation simply that it is a finite supply?

Professor Roy: I will throw that to Claire Murdoch. Do you have the detail on the breakdown for ScotWind and the Crown Estate? The biggest element of the Crown Estate revenues is ScotWind. The opening balance for 2026-27 for the total Crown Estate revenues is £723 million. I see that Claire is frantically looking for the breakdown.

Claire Murdoch (Scottish Fiscal Commission): I do not have that.

Professor Roy: We can get you the breakdown. By far the biggest element within the £723 million opening balance is ScotWind.

The way that those Crown Estate revenues work is that the money is accessible to the Scottish Government to use as it sees fit. It is not ring fenced—it does not have to be spent on something particular—and it is completely open to the Government as to how it uses it.

There are two points to consider in that. One is that, over the past few years, the Government has used that money as a mechanism to help smooth spending over time, as we talked about. That is the point that you made, Mr Kerr. If the Government had many more Barnett consequentials this year and had been planning to use some ScotWind money, it could replace some of the ScotWind money that it had planned to use with the Barnett consequentials that had come through and keep the allocation of ScotWind for next year. That is one of the budget-smoothing tools that the Government has been able to use to help balance the books. That could be used for the reconciliation that is coming down the line rather than having to borrow or put money into the reserve. It can be used as a budget management tool.

The more fundamental and philosophical question, particularly for ScotWind, in which we are, in essence, selling licences for offshore renewables—it is a one-off payment—is whether it is good practice to use those payments to balance the budget year on year. The Government has said that its preference would be to use those one-off revenues to invest in the transition to net zero and capital projects that, in turn, will generate benefits over a long period. That is the ideal way to use such one-off payments from a point of principle but, given the fact that the Government has limited flexibility, it can also use them to manage the year-to-year transitions in its budget.

Liam Kerr: Precisely. I will press you on that, if you do not mind. In your January 2026 report, you describe the Crown Estate revenues as:

"a limited—and largely a one-off—source of revenue".

You warn in that report about using

"non-recurring … funding"

for

"recurring day-to-day spending".

If the Government were to decide to use that money in 2027-28 to support its resource budget, what implication would that have for the underlying fiscal position in future years? Is there any opportunity cost of using that finite money for day-to-day spending rather than investment?

Professor Roy: The opportunity cost is that, once you have spent it, that is it. It is a one-off source of funding. There might be further licences in the future from which revenues could come through but, once you have sold those licences, you have the income and, if you spend the money, it is gone. That is why, ideally, you would want to spend that revenue on capital purposes over time.

To be fair to the Government, the challenge that it has is that there are lots of moving parts. It can put more money into the reserve this year—it can save some money—but that means spending less money this year. Alternatively, it can try to borrow for the reconciliation but that means that it will have to reduce spending over the next few years as it pays that back or it can use the Crown Estate revenues, which are a one-off payment, to support spending in 2027-28. That is a difficult decision that the Government has to make over time. However, the principle of trying not to use one-off revenues for day-to-day spending is good practice anywhere.

Michael Marra (North East Scotland) (Lab): Good morning. The practice of operating, in effect, a second reserve has gone on for a few years now. It almost sets aside the original purpose of that money, which, as Liam Kerr set out, was for net zero activities. Is it right that, in the absence of that second reserve, the Government is constrained in the amount of money that it can spend? What is the cumulative reserve opportunity across the Government, using the reserve from ScotWind and elsewhere?

Professor Roy: Can you remember the total reserve that the Government has, Claire? Is it £700 million?

Claire Murdoch: It was £700 million, but it has gone up with inflation. It is around £780 million now.

Professor Roy: At the start of this year, it had £723 million in the Crown Estate opening balance. If that is used as a second reserve, those are essentially the two elements that the Government has to draw on. If more money is put into the reserve in 2026, moving it into 2027-28, it will not spend that much.

Michael Marra: On a technical level, it has been useful for the Government to do that, but it has also been politically possible. Running a surplus on an annual basis in order to put away a little bit of money each year to get you to the point of having a cushion will open you up to political criticism from other sources. The Government has quite conveniently had a windfall of money, which has allowed it to do that. Do you think that having a proper second reserve is a useful tool? Forget about the net zero stuff—the purpose of it was to be a smoothing tool.

Professor Roy: That comes back to our earlier conversation about whether the reserve and the borrowing levels are big enough. The basic point is the reason why a Government underspends. I understand the politics of saying, "You've not spent the full amount of money," but the Government cannot overspend—it literally cannot go £1 over a £60 billion budget. There is a question there: is there an opportunity for the Government to have some flex if it overspends slightly? It might pay a high premium or interest rate for doing that, but it is not really a policy choice; it is just good budget management.

Michael Marra: That brings me to the additional £859 million that has come into the current financial year, 2026-27. At the start of this year, around the time of the budget, the Institute for Fiscal Studies and the Fraser of Allander Institute both predicted that it was very likely that there would have to be an emergency budget half way through the year, as we have seen from the Scottish Government in three of the previous four years, due to the Government bursting the budget half way through the year and not having enough money to meet the commitments that it had made at the start of the year, because of poor financial management.

On that basis, do you think that it is likely that the additional £859 million will get the Government over the hump, which will mean that we will not have an emergency budget this year?

Professor Roy: Ultimately, it is up to the Government what it sets out in its budget plans. However, you are right: relative to where we were in January, the Government now has significantly more resource and capital coming through. On the resource side, that has largely been a one-off payment—a payment in relation to the debt write-off for special educational needs and disabilities in local government in England is flowing through. The Government therefore has more money relative to what it had in January, so that helps the budget this year. If the Government is under fiscal pressure this year, it has additional resources that it could potentially call on.

We will have the autumn budget revision in September, where all that stuff would be set out. Typically, that has been when the Government has announced more significant changes within year. That is the point when the Government will update the budget. The key point is that that boost in

2026-27 will make the position in 2027-28 all the more difficult, on the basis of current plans.

Michael Marra: I know that you do not like that, and the Auditor General does not like it, in that it is bad practice to use one-off payments to meet recurring spending. However, the Government has done that for years, and I would have thought that it is highly likely that it will do the same again.

Professor Roy: To be fair to the Government, it does not know what will happen with the UK budget. It has additional funding this year, and it will consider the budget in the round and manage that. It had an assumption about what might happen in October. If there is no additional funding coming through in October, that essentially means that, in the final few months of this financial year, it will have a difficult decision to make to balance that.

Michael Marra: You say that the Scottish Government does not know what will happen. As far as I am aware, it does not have any indication that the UK Government will go below the levels of the UK spending review. That is a baseline that has been set, and that should be the basis on which the Scottish Government sets its budget, with that understanding of the amount of money that it will have. This year, it has had a significant uplift.

Professor Roy: Yes, but again, who would have known that, in January, there would be an extra £600 million coming through? Typically, the trend has been that more money comes through when the spending review goes through. Historically, the spending review has been a floor and more Barnett consequentials typically tend to be slightly more positive. Even an extra £100 million or £200 million—from £1 billion or £2 billion more spending at UK level—is marginal in this context, but the increase this year is significant in comparison.

Michael Marra: My final point on this area relates to the block grant adjustment that is coming down the line. We have seen the uptick this year of £859 million. The question for the Government is whether it applies that to meeting what was a very tight budget set at the start of this year, which, as recognised by independent analysts, is likely to be a deficit budget, or whether it should put that money away into its roughly £1.4 billion of spending reserve options to try to smooth the reconciliation further down the line? Do you think that the prudent thing to do would be to wait or to put some money aside now to deal with the reconciliation?

Professor Roy: It is the Government's decision as to how it manages that. The basic point is that, all else remaining equal from 2026-27 into 2027-28, under the current plan, the budget position shows a real-term reduction in resource, in part because of the inflow of money coming through in 2026-27. One thing that we have not spoken about—I do not want to go off on a tangent, but this is really important—is that we are talking quite a lot about the budget from this year into next. I can understand why we do that, but the next budget and the budget after that are more important. Essentially, we see budgets that are broadly flat, and that raises the bigger question around the debates on efficiency savings, policy choices and revenue choices, because, although a few hundred million pounds are balanced here and there between this year and next, the fundamental trajectory for where the budget is going is weak in real terms.

Michael Marra: I could not agree more strongly, and I spoke about that in the chamber just yesterday. However, my questions on this are really about how we deal with the two figures that are in the public domain: the £859 million uptick and the £700-odd million of the block grant adjustment. There is an option for the Government to smooth the reconciliation using some of the uplift this year to deal with the consequences, as long as it does not spend it all this year to make up for the fact that it set a deficit budget at the start of last year.

Professor Roy: Yes. The Government has a second option, too, which is to borrow the money in 2027-28 and spread it over multiple years after that. If the budget is going to go down between 2026-27 and 2027-28—in part because of reconciliation, but in part because of a weak overall fiscal settlement—broadly speaking, without doing anything else on revenue, the two options are to spend less money in 2026-27 and save more money into 2027-28, or to try to do what it can to borrow the full amount in 2027-28 and spread it over time.

Alan Brown: I want to talk about the additional moneys that came from the UK Government writing off the debt of English councils over the special educational needs budget. Extra money coming to the Scottish Government is welcome, but is it correct to argue that the statutory override that the UK Government did allowed councils in England to spend more money that did not hit Barnett consequentials at the time because it was a notional debt that the councils built up with the UK Government? Money was physically being spent, but it did not hit Barnett, whereas, once the writing off of the debt was done, that triggered Barnett. Barnett consequentials could have been accumulated year on year, but the way that money was spent and accounted for prevented it from hitting Barnett. Is that correct?

Professor Roy: I will need to think about that. The way that Barnett works is quite transparent, in the sense that, whenever the UK Government spends money in comparable areas of devolved public services—such as if it spends money on local government as it is doing in this case to write off the debt—that has a Barnett consequential. If local government spends money in England, that does not automatically have a Barnett consequential, and that is the same in any other aspect of public service—it is only when the UK Government spends it. There is now a transparent statement of funding policy that governs how Barnett works, which is about whether the UK Government spends the money on equivalent devolved public services.

Alan Brown: I am still trying to get my head around it. So, if the UK Government writes off the debt, that triggers Barnett, but the money had already been spent, and it did not trigger Barnett. There is still an accounting mechanism that stops Barnett consequentials coming through.

Professor Roy: Because local government is devolved and separate from the UK Government, and similarly local government in Scotland is separate from the Scottish Government, it would depend on whether local resources were used. For example, if English councils put up council tax, that would not have Barnett consequentials, but if the UK Government gave more money to local authorities to stop them putting up council tax, that would have Barnett consequentials.

Alan Brown: The way in which councils were allowed to accumulate debt meant that, in accounting terms, according to the UK Government, the councils were not considered to be spending the money in areas that triggered the Barnett formula. I know that it seems niche, but it seems like that money had already physically been spent, but Barnett consequentials are only coming through now.

Professor Roy: The situation would be the same in any local government area. It would apply to any local authority in England that spends money on local services that it raised for that purpose.

Alan Brown: The thing is that the UK Government guaranteed that debt. Councils were allowed to spend the money because it was underwritten by a UK Government guarantee. The limits kept increasing year on year, until this year, when the UK Government made a fiscal decision to end the practice and said it will write off the debt, which triggers a spend. Are other debt management mechanisms available that could potentially allow the UK Government to skip Barnett?

Professor Roy: The basic point is that anything that happens outside of the UK Government—whether in local government or elsewhere—would not have Barnett consequentials, because local government in England raises revenue or borrowing in exactly the same way as councils in Scotland do. No Barnett consequentials go to local government in Scotland if it is the councils in England that raised the revenue. The Barnett formula applies only to what the UK Government and the Scottish Government do; it applies only when the UK Government spends money.

Claire Murdoch: Another way of thinking about it is that quite a large chunk of the money that the Scottish Government is receiving during 2026-27 reflects decisions that have been made by local authorities in England for a number of years. In essence, it is a one-off pot of money to write off the debt.

The UK Government has not committed to extra funding for SEND in 2027-28, but it has committed to a significant chunk of extra funding in 2028-29. That means that the profiles of the consequentials related to those areas are a little bit odd, in that there is a large amount this year, none next year and then quite a lot in 2028-29.

The question is what the UK Government will do in future. Is the amount that it will give for SEND in 2028-29 a baseline for what it will give to local authorities in England every year—and if so, the Scottish Government would receive that money each year—or is that also a one-off payment? We need the next UK spending review to confirm how that will look. The bigger question is what will happen to the amount of money that is coming in 2028-29 in future years.

Liam McArthur: I will go back to the issue that Liam Kerr pursued on the ScotWind revenues. As we have discussed, using one-off payments for ongoing funding commitments is not advisable. I recall that being said when ministers were making announcements in the chamber during session 6 on ScotWind resources being drawn down. Hope was also expressed that resource would not be required. In a sense, it said that the resources would be drawn down to cover its bases, but the hope was that the resource would not be drawn down.

Earlier, Mr Roy gave a couple of figures in relation to the amount of money still in the ScotWind fund. Are you aware of how much has been drawn down based on the outturn figures that we have at the moment?

I am conscious that, elsewhere in your analysis, one of the risk factors is in relation to climate change impacts. Any one-off funding that is supposed to be deployed for investment in net zero measures but is redirected elsewhere, making it unavailable for net zero investment, would be a risky strategy, or would increase the associated risk.

Professor Roy: In figure 3.9 in the fiscal update, we have the Crown Estate opening balances. On fiscal management, the Government drew down about £96 million from the Crown Estate in 2022-23 but it has not drawn down any revenues from it since; based on its recent plans, we project that it will draw down £80 million this year and £328 million in 2027-28. The balance in the Crown Estate is, therefore, still more than £700 million, which is still quite a lot of money.

The flipside of the question is about how you manage that money and whether it is a second reserve. You might want to spend that £700 million on tackling climate change—you might want to use it at some point in order to offset any of the damages or effects of that. There are questions there about how much of that money is genuinely seen as a one-off windfall that you can use to spend on those things or how much you have to hold it back as a second reserve, as Michael Marra talked about.

Claire Murdoch: There are three years that have a zero drawdown. There was a plan to use Crown Estate money in those three years, but the Government did not do that, which is the second reserve element.

Liam McArthur: In the forecast evaluation report, the general message from the commission seems to be that there has been an improvement in the data that is provided, which, by definition, must improve the accuracy of the forecasting. However, I noted that the forecast was out by around 7 per cent in relation to the land and buildings transaction tax revenues and by 39 per cent with regard to the Scottish landfill tax—I think that the latter was a result of a decision to delay the implementation of the policy. Does anything from those examples suggest that although the clarity around the data has improved, there is scope for further improvement in order to improve the forecast, too, and to reduce the level of risk of reconciliations and so on down the line?

Professor Roy: Do you want to go first, Eleanor?

Dr Ryan: I can. You would expect us to always push for more information and transparency—it is good for Parliament and the public, and useful for us. The better the information that we have, the better our forecast can be, so, yes, we would always like more and better information. However, I do not think that anyone was withholding the landfill tax policy change from us.

Liam McArthur: Having been present when the decisions were announced in relation to the policy change around landfill, I know that the ministers did not make much mention of its implications and financial consequences. However, it is not entirely clear why the higher-than-expected repayments in relation to the additional dwelling supplement were not predictable—I am not quite sure what gave rise to that.

Professor Roy: Claire Murdoch might want to come in on those points as well. On your first point, the improvement in data over the past 10 years and in the ability to get it in Scotland has been quite significant. We have not come on to this yet, but social security was an area in which it was really difficult to get robust data, and the work that Social Security Scotland and the Scottish Government did on that was excellent.

Although we have really good data on the smaller devolved taxes, we sometimes have to make really difficult judgments. One of the challenges that we have had in relation to the additional dwelling supplement is that it is such a new tax that it can be quite volatile—we have to understand how people will respond to it; we must make a judgment based on no data or past evidence, given that it has never been done. The variations are potentially higher because we have to make a judgment call.

This time, one of the core sources of that was about repayments. The ADS repayment level was extended a bit, which had an impact on the revenues coming through. The window for people to make the payment was extended, which had an impact on the revenue in year. Another core source was about whether the data included reliefs and whether they were gross or net. That error has been corrected, so we do not expect to see it in future.

10:30

The factor that we will always have the most uncertainty about—we will always be quite open with you about this—is income tax. The problem with that is that we can collect really good evidence on PAYE because we get really good data from HMRC with a sample of people who are taking their salary every month, but self-assessment is really volatile. We do not have any data on that on a recurring basis in Scotland as we go through the year. Because people who are on self-assessment tend to be higher earners, it tends to be much more volatile. Typically, when we come to you and talk about our forecast error, you will see that the biggest element of it will be at the top end of the income distribution and among those who are on self-assessment. That is because it is really difficult to get data on that for people in Scotland.

Liam McArthur: What are the implications of that in a budgeting sense for the Government? Is it therefore likely always to err on the side of caution?

Professor Roy: The Government is protected in the sense that we make our forecast, which is then locked in for the next year's budget, so there is complete certainty there. However, it means that there will always be forecast error, both by us and by the OBR for the block grant adjustment, which means that there will always be reconciliations. As we have seen this year, the reconciliations may happen to go the wrong way for the Scottish Government and be quite big. If they are quite small, they will, we hope, balance each other out. However, there will always be forecast error, in part because the data is so volatile.

Liam McArthur: This is not necessarily at the same end of the spectrum in terms of the quantum, but I was slightly surprised to see the errors in relation to projections on adult disability payment. There is quite a bit of debate about projected social security costs. Having established what has happened in the past couple of years, are you confident that predicting those costs in future will be done with greater accuracy? Do you expect the trend that we have seen on take-up of ADP to continue?

Professor Roy: We have done a lot of work on that topic and we spoke about it a lot to the previous Finance and Public Administration Committee and the previous Social Justice and Social Security Committee.

A number of different things are going on. If you look at figure 4.3 in our forecast evaluation report, on authorised personal independence payment and ADP applications, you will see that, whereas the number was typically bumbling along at about 3,000, when ADP was introduced, it jumped up to over 7,000. There was a huge spike, which we predicted in some ways, because we thought that the new payment would lead to that. The question is whether the number will remain at that level or whether it will come down and, if it comes down, how quickly that will happen. We have always thought that it will come down a bit and settle at a lower level, but this is a good example of something that we have never done before in Scotland. We have never introduced a new social security payment. How quickly will it come down? What will the new level settle at?

We make judgments, but if they are even slightly off, there is an impact. Given the size of ADP, it is a particularly big element in the overall budget. We have to balance where we think the forecast is out and where we see some longer-term trends coming through on disability payments. We are seeing some interesting stuff coming through in the data, both at the UK level and in Scotland, on the rise in disability prevalence.

Michael Marra: This question might create the risk of another slight professorial scolding about looking at the small numbers rather than the £5 billion that is coming down the line, but I will ask it anyway. Over the summer, there has been a lot of public comment regarding the top rate of tax and the difference between a projected £8 million net benefit and a potential £20 million net loss. Will you comment on those issues?

Dr Ryan: There is no scolding. [*Laughter.*] You are right that there has been discussion about whether the Scottish Government has tipped over the Laffer curve. We would say that that is not clear. We have set out the tax base performance gap across all the income tax bands, which shows the relative performance of the tax base in Scotland compared with that of the UK, and that has a bigger impact than the marginal numbers in the top right. That is not to say that that is not an issue, but there is a bigger issue to consider.

Michael Marra: In the previous session, we heard that—it was, I think, Professor David Heald who said this, although I do not want to attribute this to him if I am wrong—the big challenge for Scotland is the risk that we teach higher-rate taxpayers in the public sector how to avoid tax or maximise their tax performance. Do you worry about behavioural trends at the top end and the fact that we might be exposing the broader tax base to a—I will not say "aggressive"—more considered view among some higher-rate taxpayers about how to maximise their income and reduce their outgoings?

Dr Ryan: I do not think that we are worrying about a trend. As Professor Roy said earlier, we are trying very hard to get really good data so that we can understand what is going on. All other things being equal, HMRC's push on making tax digital and getting more real-time information might help us in the long run, because we could get better and more timely data on what is happening around incomes, particularly those of people at the top end, who have more choices about how they take their money and, as a result, are probably harder to forecast.

Michael Marra: Having more data is good, but you are not factoring into your next set of forecasts that matter as a big consideration.

Professor Roy: No. When we do our forecasts, we consider what we think has happened to the economy, to earnings and to income distribution. If the Government announces changes in policy, we build in the behavioural effects of those changes.

On Eleanor Ryan's point, we estimated that the static effect of moving to the 48p rate would be about £50 million. Once we included behavioural effects, that figure came down to about £7 million, so we thought that there would be big behavioural changes as a result of that policy. If the figure is minus £22 million, that is, in a budget of £18 billion, very little.

There is an interesting broader point about the effects of fiscal drag, which we have spoken about previously. The result of freezing the thresholds for the past few years has been that more and more people are becoming higher-rate taxpayers. If we look towards the end of the forecast horizon, we see that the number of higher-rate taxpayers in Scotland will grow significantly. That is probably the bigger issue in relation to the shifting balance of the tax base.

Michael Marra: Earlier, you talked about the importance of getting good analysis in order to maintain confidence in the Government's performance. Were you surprised that it scrapped the tax advisory group?

Professor Roy: That was a decision for the Government. It is nothing to do with us.

Liam Kerr: Data has been mentioned several times. Your statement of data needs sets out 24 recommendations, the first of which is that the Government should baseline routine budget transfers between portfolios, so that the money shows up in the portfolio in which it will be spent. I am new to the committee, but I understand that the predecessor committee considered the issue several times and made similar recommendations. To help the committee's understanding, will you set out the main barriers to achieving what has been recommended? Are you hopeful that progress will be made in this parliamentary session?

Professor Roy: Eleanor, do you want to answer that?

Dr Ryan: Yes, I am happy to.

As has been said, significant progress has been made. Far more transfers are now baselined, and that makes it much easier to do the year-on-year comparison. However, we are not there yet, and I think that there is something for the Government to look at in the mechanisms. The argument has been made about putting money into a portfolio with policy responsibility and then transferring it to people who have the delivery responsibility, but we would argue that there are ways around that and the Government should be trying to make all the routine transfers at the start, so that it is very clear to everyone how funding is changing year on year.

We have quoted some figures in that respect. Let us say, for example, that you are doing year-on-year comparisons of health and local government, which are very big budgets. As they are among those affected by baseline transfers, it makes a very material difference if you are not comparing like with like year on year.

Liam Kerr: In that case, do you get the sense that the Government is taking these recommendations on board and that it will make that change?

Dr Ryan: We get the sense that it has taken it on board, and we hope that it will make the change. We shall see.

Liam Kerr: Sticking with the statement of data needs, I note that your sixth recommendation says that the Scottish spending reviews should be published regularly to increase transparency. That raises the following question: what do you feel is the ideal time for the Scottish spending reviews, and how regular is regular?

Dr Ryan: In a perfect world—which, of course, this is not—you would always be several years ahead of plans, and you might revisit them annually or have a rolling programme. That might or might not be feasible, and a lot of this is tied into certainty from the UK Government, which we were discussing earlier. Because the block grant is such a big driver of funding, having multiyear UK plans would make things easier—or, at least, the Scottish Government would be able to set out its plans with more certainty.

Ideally, we would not want the Government to set out three or four-year plans, and then further three or four-year plans at the end of that period. Ideally, we would want it to maintain a programme so that it would always be several years ahead, as far as that would be possible under the constraints within which it works.

Liam Kerr: I understand.

The Convener: I just want to pick up on what Mr Kerr was saying about recommendations. Your report this year makes 24 recommendations. Roughly how many of your previous recommendations have been acted on?

Professor Roy: We have a list. Do you have the table there, Claire?

Claire Murdoch: Yes. An annex in the statement of data needs sets out all the previous requests and whether they have been actioned or not. I am not going to count them all here.

The Convener: But you are numbers people. [*Laughter*.]

Claire Murdoch: The live pressure would be too much.

Overall, though, the majority of our data needs have been met. We now get from Revenue Scotland and Social Security Scotland, in particular, the data and information that we need. Some of the requests that we made in the past were probably a bit unrealistic. For example, we made a recommendation to the UK Government that we have a statutory right of access to information from UK departments. That was quite a hard one, because the Scottish Government does not have the power to decide that sort of thing.

So, some recommendations like that one have not been achieved, and there are a lot of others that are still in progress and which we are working on.

The Convener: That is helpful for the committee as we move forward.

Pauline Stafford: On recommendation 17, which relates to climate change, we are just returning to Parliament after a recess in which we have seen the impacts of quite volatile weather across the globe. In its fiscal sustainability perspectives report in February, the SFC estimated that an average £0.7 billion per year of public investment would be required to respond to climate change. As we have seen this summer, in particular, climate-related spending needs are not likely to rise in a kind of smooth or predictable way. What assessment has the SFC made of the risk of climate-related fiscal pressures materialising more rapidly than has been assumed in the current projections?

10:45

Professor Roy: There are a couple of things to say. In our work on climate change, the numbers that you referred to are the investment that we think the Government needs to make in order to hit its net zero obligations. It is quite a narrow view of the investment in climate change.

The bit that we have not done but which is equally important—some of it gets into the data and the ability of the Government to set that out—is about exactly the issues that you have talked about: how we adapt to a warmer climate and what increase in spending on flood prevention, for example, is needed.

The third bit, which, again, we have not done, is about the damaging effects. If there is more flooding and more money has to be spent on that, what has to be done about that?

One of our recommendations in our climate change report and again in our data needs assessment is that, particularly when it comes to adaptation and potential damaging effects, the Government needs to set out much more about the potential investments and implications, so that we can model the fiscal costs. That is where we would extend our work on climate change.

Kim Schmulian: Professor Roy, do you routinely collaborate with bodies in other countries for comparative analysis, to learn anything from their practice?

Professor Roy: Yes. A network exists of fiscal institutions around the world, which the Organisation for Economic Co-operation and Development helps to co-ordinate. Those are bodies that do similar jobs to ours. The Scottish Fiscal Commission is relatively unique, because it is a fiscal institution within a broader fiscal framework at a national UK level. There are various ways of sharing good practice, modelling communications and the like.

We also have a much more local relationship with the equivalent bodies in the UK, such as the Office for Budget Responsibility at the UK level. There is also a Northern Ireland Fiscal Council, which has a slightly different role to ours but which advises the Northern Ireland Executive on its fiscal issues. We engage with it regularly to share ideas, knowledge and challenges.

Kim Schmulian: Would it be worth while for the committee to look at how some of the scrutiny committees in other Parliaments operate, to see whether there is anything that we could take on board? Obviously, we are unique in being devolved, but countries that are members of the European Union also have money flowing in and out, and there are obvious similarities in approach.

Professor Roy: Yes to anything that involves learning lessons. The fiscal framework in Scotland is unique, but a lot of the underlying issues are the same, such as transparency in communications, the articulation of risks and many underlying policy questions. For example, the population in Europe is ageing, just as it is here; how do we deal with that fiscally? How do we deal with a world in which economic growth has been slower than historically? How do we cope with more global uncertainty than we had in the past? A lot of the issues that people are dealing with elsewhere are the exact same fiscal issues that we deal with in Scotland.

The Convener: I thank the witnesses for their evidence and their attendance. I think that the committee has found that a very helpful start for our work this term.

At our next meeting, on Tuesday 9 September, the committee will begin our evidence sessions on pre-budget scrutiny. I am sure that we will take into that a lot from what we have heard this morning.

That concludes the public part of our meeting.

10:48

Meeting continued in private until 11:31.

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