



Official Report
Aithisg Oifigeil

DRAFT

Finance and Public Administration Committee

**Comataidh an Ionmhais
agus Rianachd Phoblaich**

Wednesday 28 October 2026

Session 7



The Scottish Parliament
Pàrlamaid na h-Alba

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website—
www.parliament.scot or by contacting Public Information on 0131 348 5000

Wednesday 28 October 2026

CONTENTS

	Col.
DECISION ON TAKING BUSINESS IN PRIVATE	1
SUBORDINATE LEGISLATION	2
Budget (Scotland) Act 2026 Amendment Regulations 2026 [Draft]	2

FINANCE AND PUBLIC ADMINISTRATION COMMITTEE

9th 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:

Hannah Mary Goodlad (Minister for Public Finance)

Scott Mackay (Scottish Government)

Craig Maidment (Scottish Government)

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Finance and Public Administration Committee

Wednesday 28 October 2026

[The Convener opened the meeting at 09:45]

Decision on Taking Business in Private

The Convener (Clare Haughey): Good morning, and welcome to the ninth meeting in session 7 of the Finance and Public Administration Committee. We have received apologies from Liam McArthur. I remind everyone to switch off or put to silent mobile phones and any other electronic devices.

Agenda item 1 is a decision on taking business in private. Do members agree to take in private agenda items 5 and 6, which relate to the consideration of two draft reports, and future consideration of draft reports?

Members *indicated agreement.*

Subordinate Legislation

Budget (Scotland) Act 2026 Amendment Regulations 2026 [Draft]

09:46

The Convener: Agenda item 2 is an evidence session on the draft Budget (Scotland) Act 2026 Amendment Regulations 2026. I welcome the Minister for Public Finance, who is supported by Scottish Government officials Scott Mackay, head of finance co-ordination, and Craig Maidment, senior budget and funding manager.

Before we move to questions from committee members, I invite the minister to make an opening statement on the regulations.

The Minister for Public Finance (Hannah Mary Goodlad): Thank you for having us here today.

Persistent high inflation and lower economic growth across the United Kingdom and, of course, Scotland, the continued cost of living crisis and wider geopolitical events mean that careful consideration has been given to balancing the budget this year.

The reality is that Scotland's public finances remain under immense pressure—I and Cabinet colleagues have made no secret of that in our appearances before the committee over the past financial year—and the funding that we receive from the UK Government is being squeezed year on year. At the same time, demand for public services continues to grow—that is evident right across the numbers that we will investigate today.

Our prudent management of the 2025-26 financial year has allowed us to carry forward funding through the Scotland reserve, which, as was transparently set out in the spring budget revision and the provisional outturn, is being utilised to support 2026-27 budget and spending plans. Barnett consequentials also allow us to provide additional budget cover across portfolios to meet emerging pressures in the autumn budget revision.

The autumn budget revision sets out the funding changes and amendments that have been made to budgets since the 2026-27 Scottish budget was set. The revision deploys almost £800 million of additional resource funding to support our public services. The net funding changes increase the budget by around £709 million. Those changes include the provision of £567 million to health to support services; £85 million to education, culture and Gaelic; and £35 million to justice.

All the consequential funding that has been received from the UK Government in respect of

special educational needs and disabilities is allocated as part of the autumn budget revision. However, given the likelihood of negative consequential links to the UK defence allocation that will be made in just a couple of hours' time, we have a contingency plan, which I am sure that we will discuss as the hour goes on.

The technical, Whitehall and internal transfers are presented in the document in the usual way. The supporting document to the autumn budget revision and the finance update that my team has prepared provide further background on the net changes, as well as updates on information that the committee requested.

Convener, I am happy to answer any questions that you or your committee may have.

The Convener: Thank you, minister. The committee does indeed have questions for you. First, I will bring in Kim Schmulian.

Kim Schmulian (Glasgow) (Reform): Thank you for your opening statement, minister. My first question is about the national performance framework. You will be aware that past committees have said that decisions about funding should be linked to delivery outcomes in the national performance framework. With additional resources being available at this stage, what allocations have been made specifically in furtherance of those published goals?

Hannah Mary Goodlad: We have had the national performance framework for the past few years in order to try to focus more on key performance indicators when it comes to the budget and the Government's delivery and targets. We are finalising work just now to look at the national outcomes, the programme for government and the benchmarking indicators. We are taking the portfolios across health, justice and education and creating a green-amber-red dashboard showing the indicators and the commitments that we have made. That has been at Cabinet as a first revision, and I, Mr McKee and the Deputy First Minister will continue to work on it across our portfolios in order to go back to Cabinet with an additional revision.

We are here to create value for people across Scotland. Sometimes we can allocate numbers to that, but sometimes it is more narrative. Sometimes we can track real-time indicators and see clear numbers across many years, but sometimes we cannot. Value is about considering narrative and numbers together. I am very encouraged by the work that has been done on the national performance framework. I can see that it is going to deliver and change the way in which we measure progress. It is about having a delivery-focused mindset when it comes to our manifesto and programme for government commitments. I

look forward to seeing that revision come to Cabinet in a few months' time.

Kim Schmulian: That sounds very promising. I look forward to seeing that.

Would it be helpful to attach an outcome to each amended budget line, which would enable the public to see clearly how an operational decision had contributed to the end strategic objective?

Hannah Mary Goodlad: Some budget lines are in double digits, some are in single digits and some are even less than that. Given that level of granularity, we are unable to attribute that at all levels. However, in relation to portfolios and categorisation, that is something that the national performance framework looks to do. As I said, some things can have numbers attributed to them while other things are by their nature more qualitative and less able to be fully quantified. I do not think that we would be able to achieve very granular detail on outcomes line by line.

Kim Schmulian: Okay. We will look forward to seeing how that evolves.

Scott Mackay (Scottish Government): Linking budgets to outcomes has been considered over a number of years, but there are challenges associated with that. One budget line can contribute across a number of outcomes, which has been an inhibiting factor in considering presentations of the budget that would have more direct read-across, with figures being associated with individual outcomes. There is a difficulty in narrowing down the specific outcomes that an individual budget line contributes to.

Kim Schmulian: I appreciate that it is a huge and complex task.

I see that Police Scotland has received £12 million to support ongoing transformation, which it indicated that it needed when it spoke to us in September. Is that the shape of things to come in terms of public service reform? Once you have reformed, you still need money to reform, so you have not only up-front costs but back-door costs moving forward, too.

Hannah Mary Goodlad: I am not quite sure of the question.

Kim Schmulian: I will frame it differently. Police Scotland went through the process of reform, when it was formed. When its representatives spoke to us in September, they said that they still needed money to take the transformation forward, for technology. I see that £12 million has been allocated. I am wondering whether that story could be repeated with further public service reform as the programme moves forward.

Hannah Mary Goodlad: I understand. Thank you. It is worth taking a step back. We are in the

throes of creating the largest change in our public services, including our local government and how we apply that across the country, since 1999. It is a massive change, and it is needed for our public services across the board to become more preventative, service focused, front loaded and joined up for education, health and justice—of which the police are a part. It is about looking at how we front load some of that spend and preventative cost in order to have the public services that, rightly, people expect of the Government and the country.

Kim Schmulian: Thank you. I have other questions, convener, but I do not want to hog the minister, so if my colleagues will come in, we can maybe come back to me.

Hannah Mary Goodlad: Well, I have an hour.

The Convener: Thank you, Ms Schmulian. That is very generous of you.

Pauline Stafford (Bathgate) (SNP): Thanks for your comments this morning, minister. I draw members' attention to my entry in the register of members' interests, as I am a sitting councillor in West Lothian Council.

My first question was about advice from the Institute for Fiscal Studies earlier in the year. It suggested that

"using ... as-yet unallocated funding in full this year is probably not the wisest choice—particularly for recurrent spending pressures".

Given that the financial picture for next year—2027-28—looks particularly challenging, what advice have you had about how to use the funds at this point in the ABR, and how do you balance that against any end-year volatility and the challenges for next year?

Hannah Mary Goodlad: When I have been looking at the projections for the next three years and where we have come from in the past three years, I make it no secret that I am incredibly concerned at the financial position in which we at Scottish Government level find ourselves.

It is not unique to the Scottish Government. The UK, too, has been contending with it—as have, to be honest, all economies across the west. Since 2008, we have had the financial crash, austerity, Brexit, Covid and two ongoing global conflicts—in Ukraine and the middle east. The economy is not immune from all of that. In fact, it is entirely interdependent, especially given that it is linked, particularly here in Scotland, with energy—gas and oil.

The cancellation of SEND-related debt at the local level in England has resulted in positive consequential for us over the next three years. We have done the scenario work to look at how we

could balance that situation across three years. If we do not use all the consequential this year, we will not balance the up-coming budget. I say that not lightly but to indicate to the committee and to Westminster colleagues who may—I hope they will—be listening that we are in an incredibly challenging financial situation.

We have had a look at different scenarios concerning taking the SEND consequential and distributing them throughout the next three years. However, I reiterate that, if we do not use that money this year, including the backstop options that we have looked into, we will not balance the budget. We are required to do so by law, and we have done so every year since this Government took shape 19 years ago.

We have made no secret of the position, and we have been transparent with the committee. I thank the committee for its continued scrutiny of the matter. However, if we do not use the consequential this year, we will be unable to balance the budget, and we cannot legally allow that to happen.

10:00

Pauline Stafford: You paint quite a stark picture.

I will stay on the reserve. This is a very specific question, and it concerns something that predates your coming into post, minister, so your officials might want to answer it.

Our papers note that Scottish Enterprise has been provided with the flexibility to draw down £3 million underspend from 2025-26, which is carried forward through the Scotland reserve for investments that have crossed financial years. Is that a normal feature of the reserve? Does it happen in quite a few instances?

Craig Maidment (Scottish Government): I would not say that it is frequent. In some instances, particularly in relation to enterprise bodies and institutions that have a commercial focus, a transaction might start in March and not conclude until April. It can happen, but generally there are not significant amounts ring fenced in the Scotland reserve. There was a bespoke agreement just for 2025-26 and 2026-27.

Pauline Stafford: That is great; I just wanted to clarify that.

On the short-term pressures and the long-term look at where we are, the issues that every committee is discussing come down to public sector reform, which I think that everyone agrees is necessary, and preventative spend. We need to move to a place where there is cross-portfolio thinking and we can break down silos and look at

issues more in the long term. However, most of this budget's additional Barnett consequentials seem to be going to support organisations with ongoing pressures. I do not think that those pressures are going to go away—in most cases, they will get worse. How do we track that? Was there any conversation about whether some of the consequentials could have been used for the upfront costs that we will need to pay in order to deliver transformation through public sector reform?

Hannah Mary Goodlad: Most of the SEND consequentials have gone to the health portfolio. Every week, when Government ministers come to the chamber to answer questions, a significant number of those are to do with health. I am sure that everyone around this table acknowledges the importance of the issue from conversations that we have had on doorsteps with constituents.

Health is the Government's number 1 priority, and it is important that we match that with adequate funding and transfers within the year to deal with a challenging financial context that involves inflationary pressures in the health sector and an increasingly dependent and ageing population with complex health and social care needs. The Government must be prudent in order to match the number 1 priority of health with the appropriate resource in terms of finance.

The second issue, which you have identified, is the structural change that must come. That is why we have very clearly set out in the programme for government the reforms to health that will be required. As I noted in my opening remarks, that represents the largest change since 1999 in how we deliver health, education, justice and public services right across Scotland, and involves reducing our health boards from 14 to two, with a bespoke situation for the islands.

The Government has a commitment to have a healthy nation, and, to deliver on that, we must follow that up with resources and meet pressures within the year. As you alluded to, we must also have one eye on the future in terms of the structural change that we need to see. There have been several reports on the upfront savings that will be required in the next three years from health boards and on the wider restructuring that will happen in this parliamentary session in order to deliver those savings.

Pauline Stafford: I have other questions, but I will leave it there.

The Convener: Minister, you spoke about the additional funding that has gone to health. I am looking at the figures, which show net funding changes for health and care of £566.9 million. How is the Government ensuring that that gives value

for money, improves healthcare outcomes and is not being used for recurring spending?

Hannah Mary Goodlad: We find ourselves in a challenging situation in relation to the vital healthcare services that we want to provide. The uplift to £22.5 billion for health and care is providing an all-time high for that portfolio budget.

The Convener: I totally accept that, but I am asking about the additional funding that you referred to. I think that it is from Barnett consequentials from the SEND moneys in England. As I say, that is quite a substantial sum of money going into health, so how are you tracking whether that spending is having an impact?

Hannah Mary Goodlad: It will go into three main priority areas. One is waiting times. The second is capacity—front-line staff and increasing the capacity of the delivery arm. The third is wider healthcare system reform. It is trying to tackle that point on waiting times, which are not where we need them to be. Also, the capability of an organisation is its competence times capacity, and our organisation is competent, but the capacity must be increased. That is going into those two main delivery areas.

I do not know whether Scott Mackay or Craig Maidment would like to say anything in addition.

Scott Mackay: I could point to the whole reporting requirement for health bodies. They are accountable for that spend. They need to publish accounts, and those accounts are scrutinised. I am not thinking about specifics for any individual pound, but that wider regulatory framework means that there is scrutiny of everything that health boards do.

The Convener: I totally accept that, but I am trying to dig down to find out how we will evidence that there is added value and better outcomes from that substantial amount of money. I appreciate that some money has been reallocated, which is a topic that we will probably come on to later in this evidence session. I imagine that some has gone to local authorities for other priorities, particularly social care. How will we evidence whether the money is actually making a difference?

Scott Mackay: I point to the reporting requirements in health, rather than anything specifically that we are doing to track that.

The Convener: Okay. Could you come back to the committee in terms of—

Scott Mackay: Do you mean on what is being done?

The Convener: Yes, absolutely, given the additional moneys that are going in.

Hannah Mary Goodlad: It is a fair question, and we can come back to the committee on that. It goes back to the first question, which was raised by Ms Schmulian and which was on the national performance framework. It is about tracking across between what are significant sums and outcomes. The term “key performance indicators” is a very private sector one, but there are indicators that we can track. We can give a commitment to come back to the committee on that.

Kim Schmulian: I have a question on funding for accident and emergency services. I get a significant number of emails from constituents who have had bad experiences when they have had to go to A and E. In relation to the additional spending, can the Scottish Government give any direction on that, or does it come down to the priorities of the individual health boards?

Hannah Mary Goodlad: We give autonomy to the health boards so that they can react to what they are seeing, in terms of demand-led services in their areas. That is right and proper, given that they are at the coalface and seeing that. As part of public sector reform, we are looking to take the number down significantly—to two—with bespoke solutions for the islands, and colleagues from the health portfolio would be able to come and give greater clarity on the A and E perspective.

As I said at the beginning, it is about transferring this very reactive perspective that we have across public service into prevention, so that accident and emergency is reserved for accident and emergency cases. One of the commitments that has been delivered on by this Government, in several of our constituencies, is the drop-in general practitioner services, which are taking pressure off accident and emergency units across the country. We are seeing a greater roll-out of those clinics, from Shetland down into the Borders regions.

We continue to try to find creative solutions to the undoubted pressures on accident and emergency across the country, and the GP walk-in clinics are one of those measures.

Kim Schmulian: Thank you.

Liam Kerr (North East Scotland) (Con): Good morning, minister.

This morning, the committee received a letter from the cabinet secretary, which references the use of £30 million of ScotWind funds. An additional £30 million was taken from the ScotWind pot and £20 million of that was provided to local government to fund the real living wage in commissioned services. ScotWind funds are, of course, finite—they are a one-off pot—and the wage commitment will be ongoing. What has the Government identified as the recurring funding

source for that £20 million, which will presumably increase in 2027-28?

Hannah Mary Goodlad: I will pass that on to my official. Scott, perhaps you can deal with the recurring spend.

Scott Mackay: Ministers have made no secret of their desire to, or the requirement to, use some one-off funding to support the budget initially, with a stated intention to seek to reduce that and manage it within recurring budgets.

If we look back over a number of years, ScotWind funding has been brought into the initial budget and then, as the position has been managed over the course of the year, ministers have managed to release the use of ScotWind. Since ScotWind funds came in, I think that there has been only one year in which any of that funding was actually utilised.

The minister has referred to the scale of the challenge. Managing those recurring costs is part of the challenge that we face in prioritising budgets as we look at the 2027-28 funding position and allocations.

Hannah Mary Goodlad: I will come in off the back of that. I would like to be in a situation in which we did not have to use ScotWind funds and we did not have to allocate all the SEND consequential in this year alone. I would like to be in a position in which we did not have to scrape the barrel in looking at different backstop options. However, that is not the fiscal reality that we find ourselves in.

As Scott Mackay said, we have had the backstop of ScotWind over the past four years as a safety net, and we have had to use it once. It is my clear desire to ensure that, this year, we look at every other backstop option that is available to us and turn over every stone. ScotWind is essentially our wealth fund, and I do not want to be in a situation in which we must consistently look at it as a safety net.

As I outlined clearly to Ms Stafford, there are pressures that will continue in balancing the budget for the next three years. ScotWind gives us breathing space, but we are able to claw that back year on year, and we have had to use it in only one year.

10:15

Liam Kerr: That does not answer my question, though. Six months ago, a commitment was made to the real living wage—an ongoing £20 million obligation that will presumably increase—but ScotWind funds are a one-off, so my question was: is it the case that no planning has been done and that no consideration has been given to how £20

million-plus will be funded from recurring funds? Am I hearing that you are just going to default to a one-off ScotWind pot—you are going to raid that one-off pot again—and you have not given any consideration to where the recurring funding will come from? Is that correct?

Hannah Mary Goodlad: There are always transfers in year. On the initial budget setting, we are a minority Government, as you know, Mr Kerr. In the next couple of hours, we will hear what our budget will be, and we will start negotiations with other parties tomorrow or next week. The £20 million is something that we are committed to and, as I have heard, it is a priority of yours, so I look forward to the negotiation with you and the party that you represent so that it is included in the initial budget setting.

Every year, we have to look at transfers across the portfolio. This year, it is coming from ScotWind, and we need that active balance process when it comes to transferring money across the year. I put the matter back to the committee, which has been demanding more baselining of funding in the initial budget setting that we will do at the end of this year—it is because of the actions of this committee that we have increased the baseline funding. However, if the Conservative Party wants the real living wage commitment to be in the baseline budget setting, without having to use ScotWind money year on year and without having to find the money within a budget year, I very much look forward to seeing that in the party's requests as part of the budget negotiations.

Liam Kerr: Indeed. In this revision, additional funding has been provided to the education portfolio of £86.4 million, of which £35.2 million—more than 40 per cent—is going to Qualifications Scotland. That body was conceived of around five years ago, legislated for in August 2025 and came into being in February this year. The Government says that Qualifications Scotland is getting £35.2 million additionally in operational costs, but we do not have any detail on that, so what are those operational costs? Are they a one-off, or are they an increase in the future baseline? How was that not predicted eight months ago?

Hannah Mary Goodlad: In part, I refer back to my previous answer about the movement in the portfolio across our budget year on year and within the 12 months. On the figure of £35.2 million for Qualifications Scotland, the operational costs of the Scottish Qualifications Authority have increased due to pay awards; inflation; increased costs of the exam diet following the introduction of the curriculum for excellence—of course, that happened many years ago, but that demonstrates the scale of the challenge—the removal of unit assessments; and increased appointee costs to ensure that they are in line with the living wage,

which ties in with your previous question. Therefore, if I am hearing that the Conservatives are prioritising that £35.2 million in their budget asks in relation to having to allocate that—

Liam Kerr: No, that is not what I am asking—

Hannah Mary Goodlad: —eight months ago, then again—

Liam Kerr: I am simply asking what the £35.2 million funding is for and why it was not predicted. It sounds as though you have the figures in front of you. Perhaps you can provide those to the committee so that we can see exactly what the £35.2 million has, apparently unexpectedly, been required for in the past eight months. Will you be able to provide those figures to the committee?

Hannah Mary Goodlad: I have given you an answer on what the figure correlates to: the increase in pay and operational costs, the increased cost of the exam diet for curriculum for excellence and pay awards and inflation. I have given you quite a detailed response, Mr Kerr. Clearly, this is something that the Conservatives are prioritising, and I look forward to seeing it as part of your budget requests—including on the living wage, which I very much welcome.

The Convener: I will just interrupt and say that we are not here to do budget negotiations—we are here to scrutinise the autumn budget revision. I ask the minister to bear that in mind in some of her responses.

Hannah Mary Goodlad: Thank you.

Liam Kerr: I am very grateful, convener.

My final question for now relates to the additional £14.5 million to alleviate corporate running cost pressures in the Scottish Government. Again, we have no detail on what that £14.5 million is for. What is it for? Is it for pay or staffing? Given the Government's commitment to public service reform, have savings actually been delivered at Scottish Government level and, if so, why do you need another £14.5 million?

Hannah Mary Goodlad: The Scottish Government estate, and the Scottish Government civil service, cost £225 million per annum to run. Last year, an assessment was carried out of the estate, the buildings and the degradation that we have across the portfolio, and of the number of staff and colleagues that we have, to see what levels of funding would be required to safety proof and safeguard the Scottish Government estate and Scottish Government civil service going forward.

Several scenarios were detailed in that assessment. There was business as usual; a scenario for the advisory must-do improvements to the estate and corporate running costs; and invest

to save. The additional £14.5 million was to continue with a business-as-usual approach not only to the estate but to our colleagues and staff across the service. Therefore, that funding is not an uplift to increase delivery or provision but what will be necessary to maintain core business-as-usual services, the statutory functions of the civil service and the critical corporate infrastructure. The funding is not an uplift to future proof the estate or service—it is all about maintaining business as usual.

Liam Kerr: Thank you, convener.

Alan Brown (Kilmarnock and Irvine Valley) (SNP): I will follow up on Liam Kerr's questions on ScotWind. There is some frustration about ScotWind being used as a one-off—as a second fiscal reserve, in effect—and Audit Scotland has talked about the need for greater transparency, given the original commitment for the money to be spent on renewable energy. Parallel to that, though, the Scottish Government has made a £500 million commitment with regard to supply chain development for renewable energy. Would it not be much cleaner and more transparent to allocate the drawdown of ScotWind funds to that supply chain development, as it would actually be one-off investment for growing the renewable energy sector? The current approach just seems contradictory to me in accounting terms, and I wonder whether that suggestion can at least be considered going forward.

Hannah Mary Goodlad: If I understand your question right, you are asking about the £500 million allocation for renewable energy transition coming from ScotWind.

Alan Brown: Yes. There was a commitment on supply chain development such as port infrastructure upgrades and other things to facilitate the growth of the renewable energy sector.

Hannah Mary Goodlad: I am unsure what your question is.

Alan Brown: I just think that it would be cleaner to allocate any ScotWind drawdown to such investments. That would involve further internal transfers, but it would make things much clearer with regard to spend on renewable energy from ScotWind.

Hannah Mary Goodlad: I will hand over to Scott Mackay to supplement my answer but, in relation to the drawdown of the £500 million for the transition to net zero, if we were to continue to use ScotWind funds for that purpose and not supplement them through the economy portfolio, we would lose the flexibility of having ScotWind funds as a credible backstop in the budget. As I reiterated to Mr Kerr, I do not want to be in a

position in which we have to use ScotWind funds as a backstop. However, ultimately, if we do not have that as a backstop, actively consider other backstops and use the SEND consequentials in full, we will not balance our budget this year. I wish it were not so, but that is the financial reality in which we find ourselves.

Scott Mackay: I reiterate the point that ministers have made repeatedly: the pressures on the overall financial position have been such that there has been no option but to deploy ScotWind funds flexibly to support the budget as necessary, but the Government is constantly seeking to preserve such funds for, ultimately, longer-term investment. If ScotWind funds are matched to specific existing investment plans, ministers lose that flexibility.

Alan Brown: However, that would free up funds elsewhere in the budget. In effect, there would be other transfers. That would surely retain flexibility, because we have already spent money on renewable energy developments this year.

Scott Mackay: There are tight restrictions on the Scottish Government's flexibilities. It has limited reserves available and limited borrowing capabilities, so the scale of the tools that are available to ministers to manage £60 billion of public spending is really small. The additional flexibility that ScotWind funding provides has been an additional tool to help with budget management across years, given the limited options elsewhere.

Hannah Mary Goodlad: In relation to resource and capital funding, the port infrastructure and upgrades that you have indicated will, in time, lean towards capital investment, whereas, fundamentally, ScotWind funds are being used as a backstop to support resource spending, which covers all the daily spending by public services. We are talking about two different pots and a way of allocating and accounting for that funding. However, I understand that it is frustrating.

Alan Brown: Capital projects are also funded by ongoing revenue payments, but I might be overly focusing on the semantics.

You have been candid about the need to use the £533 million of Barnett consequentials relating to SEND to balance the books for the upcoming budget. Much of the additional costs seem to be against recurring costs. If the £533 million relating to SEND is used for this year, does that mean that that money will need to be found through additional savings next year? There is also the £720 million negative reconciliation because of the tax position. Does that mean that, given the real-terms cash decrease for the 2027-28 budget, we will start the next budget process in an even tighter position, with all those additional savings needing to be found?

Hannah Mary Goodlad: Yes.

Alan Brown: There is a target to reduce the workforce head count by 0.5 per cent year on year. Do we know where we are with that for this year? Will that add further pressures on next year's budget?

Hannah Mary Goodlad: On the financial situation for next year, the picture that you paint is exactly the one that I see, and is exactly what I tried to explain to Ms Stafford about the stark reality of the block grant not keeping pace with the need and demand for public services in Scotland, especially post-Covid.

10:30

The situation this year is challenging. As I outlined, if we were not using ScotWind as a backstop, if we were not looking at other backstops and if we were not using the SEND consequentials in full, we would be looking at a path to non-balance. Legally, we cannot do that, and we as a Government will try every alternative to avoid that.

On the situation for next year, we are making investments and funding allocations in health this year to target the capacity that I outlined to Ms Haughey, and we will come back with the figures on that if they are available in the health portfolio. Although that is being targeted on capacity and reducing waiting times, I anticipate that day-to-day costs will be relatively similar in 12 months' time, because some of the prevention spends that we are putting in place and the reforms that we are introducing in relation to the two-health-boards consolidation will not materialise within a 12-month context. We are looking at costs within the 12-month period on day-to-day spend continuing to be a reality next year.

Alan Brown: I have a relatively minor question that is away from the strategic question. On Whitehall transfers, £36.7 million was provided to the health and care portfolio, of which £24 million was reported to relate to capital funding provided to support the Scottish infected blood support scheme. What capital investment or expenditure is associated with the scheme? That is generally revenue and compensation payments.

Hannah Mary Goodlad: The Whitehall transfers, which you will see in several different portfolios, are quite a technical piece. They are coming in at a UK level, and we see that year on year they come in and then go out, because they are allocated in the round. When it comes to the infected blood support scheme payments in the health portfolio, those Whitehall transfers have accrued year on year.

I will pass over to Scott Mackay on the capital investment, because it is quite technical.

Scott Mackay: It is not really capital investment. Technically, those transfers are required to be scored in that way because the liability for the compensation payments has accrued over several years, and they are deemed to be of a capital nature in Treasury budgeting terms. That is not linked to investment in any infrastructure; it is just a technical classification but, because of the multiyear nature of the claims, they score as capital in Treasury budgeting terms.

Liam Kerr: I will come back to Alan Brown's questions on ScotWind, which were pertinent. Just to be clear, a commitment was made for something that would require at least £20 million of recurring funds. To fund that initially, the ScotWind pot was raided. No planning has been done since the budget to work out where that recurring funding might come from, so the unallocated ScotWind funds are expected to be used. Is that the current situation?

Secondly, can the minister tell us how much remains in the ScotWind fund that has not been allocated?

Hannah Mary Goodlad: There were two questions there. On the £20 million, are you referring to your previous question on the real living wage?

Liam Kerr: Yes.

Hannah Mary Goodlad: I come back to my previous answer, which is that, structurally, that was not committed to in the initial budget allocation eight months ago. This year, we have looked to ScotWind to provide the necessary flexibility to fund that, and I hope that, collectively, we will be able to allocate funding to that from the outset in the 2027-28 budget. If that is not the case, we will have to look at how we can allocate funding to it in year.

The remaining ScotWind budget is £807 million. Am I correct, Scott?

Scott Mackay: There is a total of £807 million that has not been used yet, although, as you will be aware, commitments have been made over the spending review period for some of that funding.

Liam Kerr: I am aware of that. Let me press you. How much of the ScotWind pot has not been formally allocated? How much remains? If you wish, I could tell you what I think the figure is, but I am happy to be told.

Hannah Mary Goodlad: Of the remaining pot, £807 million has not been used. As you know, £80 million has been allocated for this year's budget. As I have said to the committee on numerous occasions in response to numerous questions—serious, valid questions—the financial situation for next year is incredibly challenging. This year's

situation is challenging, and next year's will be even more challenging.

With regard to how much we will have to allocate, a substantial amount of the ScotWind pot is being looked at for planned usage. Regardless of whether that comes to pass, the Government is working incredibly hard to ensure that we do not have to dip into that, but it is a backstop that is there for us to use as a safety net. In a few hours' time, negative consequentials will arise as a result of the UK Government's allocation of funding to the defence investment plan.

As I reiterated in a previous answer to you, ScotWind funding has been allocated as a backstop for the past four years, but the size of the pot has been reduced in only one of those years. It is a safety net that I wish we did not have to use, but given all the financial challenges that we face and the squeeze on our public finances, it would be unwise of the Government not to consider all the backstops that are available. I hope that that helps.

Liam Kerr: It certainly does. I concede the point—it is important to have a safety net, but it is also important to be clear on the size of that safety net. I think that only £61 million of ScotWind funding remains unallocated for the current spending review period. If you are able to confirm that, please do, but perhaps you will need some time after the meeting to get back to us on the exact size of the unallocated ScotWind pot.

Hannah Mary Goodlad: According to the figures that I have seen, it is not the case that only £60 million of that funding remains unallocated.

Pauline Stafford: I want to ask about the £85 million that Transport Scotland will return to central Government due to project rephasing and alternative funding sources.

Throughout our pre-budget scrutiny evidence taking, we have heard how challenging the situation with regard to capital budgets is, and we know how many calls there are on the capital budget. To be very parochial, projects such as Winchburgh rail station were committed to in the budget and in the Scottish National Party's manifesto. When there are so many calls on the capital budget, why is that money being returned to the centre?

Hannah Mary Goodlad: You have asked a number of questions, to which there are a number of answers. Please forgive me as I work through them.

The £85 million of capital funding that is being returned from the economy, tourism and transport portfolio relates primarily to a transfer back to central Government of £50 million from Caledonian Maritime Assets Ltd. CMAL operated

at arm's length from Government and was defined as a public body in its own right. As such, it had the ability to retain reserves. However, the Office for National Statistics reclassified CMAL, which I think happened last year—forgive me, I was not around at the time, but I believe that it was as recently as that. The reclassification has brought CMAL closer to the Scottish Government and has meant that it cannot keep its own reserve. Its reserve was therefore absorbed into a Scottish Government capacity reserve.

You will be aware that our reserve is limited year on year. This year, it stands at about £730 million. Next year, the forecast is that, allowing for inflation, it will stand at about £765 million.

In addition to the amount from CMAL, there is £35 million of funding for active travel, rail infrastructure and low-carbon transport.

In a couple of hours, we expect a negative Barnett consequential due to increased defence spending at the UK level. We expect that increase to offset about minus £66 million for us. Therefore, we are holding that £85 million back as a safety measure.

I guess that, for the past few minutes, I have been trying to explain the contingency and safety net that we are trying to bake into our figures and our budget as we look forward to the coming years. We are retaining the capital reserve as a safety net and contingency for the capital reduction that will occur as a result of the consequentials that come from defence spending.

Pauline Stafford: When you refer to rephasing for the other projects outwith CMAL, is there a delivery pipeline with dates, or will it depend on what comes out of the UK Government budget in a few hours?

Hannah Mary Goodlad: I appreciate the frustration that you may feel at the answer that I am about to give. The capital projects that you indicated are unlikely to be ring fenced for specific allocations that pertain line by line to the 2026-27 budget. We are retaining the majority of the reserve to hedge against the uncertainty arising from the defence budget, which will be announced in a few hours' time. Reprofiting will then take place in the next budget cycle. I wish that we had the ability to fund our budgets on a multiyear basis, and I know that local authorities across Scotland would welcome that, too. Unfortunately, that is not the position that we are currently in with regard to our relationship with the UK Government. The reset and reprofiling will occur as we start to go into budget negotiations. I appreciate that this is not the place to talk about that, convener, but it is important context to consider in the round.

Pauline Stafford: We have heard on numerous occasions about the need for multiyear funding.

My next question is about the £30.3 million that has been allocated to the Scottish National Investment Bank. There has been a lot of reporting on the bank's losses. I had a look at the UK National Wealth Fund, which obviously operates in a different context. It recorded pre-tax losses of £152 million for the year ending in 2025. That points to how challenging the environment currently is for early-stage businesses.

SNIB was initially set up to make higher-risk capital investments. As a minister, you have been open about the need for the Government to take risks and for public and private partnership. In a general sense, do you still consider SNIB's investments to be a necessary risk for the growth that the Government wants to happen?

Hannah Mary Goodlad: Absolutely.

Pauline Stafford: That is great.

I should know the answer to this question, but does the Government have a permanent seat on SNIB's board? Do ministers attend board meetings? Given that you are now funding some of those losses, will anything change in the governance arrangements or in the way that ministers interact with SNIB?

10:45

Hannah Mary Goodlad: Again, there are several questions within that. Let me take them in turn, because it is important for me to give some flavour of how I view SNIB.

SNIB was set up five years ago to be a patient investor and to take risks that other financial institutions are not taking. It is important to view its investments as a portfolio. In any investment profile, there will be both losses and gains, and, of course, losses will materialise and crystallise more quickly than longer-term uplifts. The funding for SNIB concludes in 2030, and I anticipate that, given the typical profile of investments of this nature, the equity-to-debt ratio will begin to increase and more of the investments will start to bear fruit.

It is important to answer your question about the independent nature of SNIB. It is wholly proportionate and fair for SNIB to act on its own due diligence and to take its own decisions, independent of Government ministers. Those in charge of financial institutions such as SNIB or the National Wealth Fund have a different risk appetite from those of us who are involved in public finance, where contingency and backstop safety nets are always baked in. The private sector takes more risks and I have said many times that I come from

a background in industry, and I want that culture to be injected into Government.

SNIB currently benefits from the fact that it is set up to be at arm's length from ministers, and it is important to consider the benefit that SNIB has created across Scotland. It is operationally profitable in terms of covering its running costs. Yes, we have had £79 million in losses since its inception, but it is able to finance some of those losses because, operationally, it is profitable. It has created 3,300 jobs across Scotland. It has benefited more than 300,000 people and has had a positive uplift in that regard. It is responsible for £983 million of mid-market housing, £400 million of supply chain and direct contract investment, and £150 million of research and development investment. Further, on climate change, it has been responsible for drawing down about 230,000 tonnes of CO₂. In addition to the projection regarding the increase in the equity-to-debt ratio as we go towards 2030, the wider ripple effect of SNIB shows that the Government has been entirely right in the approach that it has taken. I look forward to seeing the success of SNIB as it transitions towards 2030 and beyond.

Kim Schmulian: Public service reform has a budget across capital and operating resource of just more than £100 million. Would it not be helpful to link that across the specific portfolios to analyse what lessons can be learned from the different departments as they work their way through public service reform?

Hannah Mary Goodlad: Is the question whether the money should be allocated to specific portfolios?

Kim Schmulian: Yes. I am suggesting that, in a sense, the portfolios might be competing against each other to see which departments are faring better than others and which ones might be dealing with more challenges.

Hannah Mary Goodlad: Thank you for that deeper explanation. The issue comes down to the fundamental way in which we budget and how we categorise things. Today, we have very vertical silos in terms of health, education, transport and the economy—you have been provided with the figures. However, life is a bit more complex than that. As customers, citizens and human beings, we experience life from a more horizontal perspective as we are impacted on by issues relating to health, education and housing, for example. Especially in an island context, transport issues are absolutely linked to health, because we have to travel off an island to access many health provisions. That reflects the reason why that £100 million is allocated to public service reform as a block. We need to get away from that siloed approach and start to see that, for example, the work on whole-

family support goes across many of those vertical portfolios.

That is a big shift in how we are set up at a portfolio level, how we budget and how public services are delivered. Today, everything is very much in silos, and that will not be changed overnight or within a 12-month period. I hope that that gives some clarity about why the deliberate choice to allocate that sum in a block has been taken.

Kim Schmulian: That gives me more clarity, but I can imagine that it is a huge challenge for ministers in those specific departments.

Hannah Mary Goodlad: Yes, it is.

The Convener: Minister, you mentioned earlier the baselining of budgets going forward. Our predecessor committee requested that of Government in the previous session of Parliament, and there has been some recognition that that has happened. Do you anticipate that that will continue to happen with the budget?

Hannah Mary Goodlad: I thank the committee for the continued and sustained questions and the pressure that you have put on the Government with regard to baselining. As a result of the committee's work, there has, over the past couple of years, been a £1.5 billion increase in baselining when it comes to allocating to the delivery unit, as opposed to policy.

It comes down to a political choice about how much we baseline as we go further. It also relates to public service reform and local government reform. Various ministers and cabinet secretaries around the table will have different approaches to that. My personal view is that, as we bring in that different, more regional layer of Government and create 120 to 160 municipalities, it comes down to trusting the delivery unit to understand what is required and what is best at the initial point of indicating where the 12-month funding package will go.

The Convener: Is that a no, minister?

Hannah Mary Goodlad: It is not a no or a yes; I am giving you my personal opinion as to where I would like to see further baselining. Again, however, that comes down to negotiations and how far I can push my colleagues in that direction.

The Convener: Okay. So, when you say that it is your personal opinion, you mean in your opinion as the minister, as opposed to your personal opinion.

Hannah Mary Goodlad: As public finance minister, with a portfolio that includes community empowerment and input into public sector reform and how we structure local governance, my answer is yes, I would like to see more baselining

take place, but I am one colleague around that table, and it is about how we get there as a collective.

The Convener: I suspect that the committee will come back to that issue time and time again, given the significant amounts of money that have moved into baselining, and the significant amounts that have not.

Hannah Mary Goodlad: It is significant. Can I say one last thing on that?

The Convener: Of course.

Hannah Mary Goodlad: Again, as a collective or as a minister or a cab sec, we are faced with a dilemma. We are a country of 5 million or 6 million people, comparable in size to some of the Nordic countries—I take Norway out of that because of its financial situation, with its multitrillion-pound wealth fund—and some of the Baltic countries. An element of scale is therefore required with regard to some national policies and directions—we need some economies of scale as opposed to baselining absolutely everything across our country and our diverse islands. It is about pushing that, and the committee has played a vital role in pushing Government to get to a position of baselining more, but there is a dilemma, and a choice to be made as to how much more we baseline as we go forward.

I can see the case for more baselining, but I also know that autonomy and further devolution costs, and it has to be worth it. That is all to be considered as we go forward with public sector reform and pushing power out and across into communities across Scotland.

The Convener: I am thinking specifically about some of the non-baselined funding that goes into health and social care, which we know is going to be transferred to local government, or from health to education for the education of healthcare professionals. I would push back on the idea that there is some scope there that would not have a detrimental impact on some of the issues that you have raised. As I said, I am sure that the committee will come back to the issue as we move forward, but that is perhaps something for you and your officials to take away.

I want to ask about some of the additional funding that has gone into the justice portfolio, which includes £3.7 million to support the running costs of the Emma Caldwell public inquiry. You will be aware that a previous iteration of this committee conducted an inquiry into the cost of public inquiries and made some substantial recommendations to the Government at the end of it. Is £3.7 million expected to be the total cost of the Emma Caldwell public inquiry, or do you expect there to be further asks for additional

funding? The way that I am reading it, the £3.7 million is not the total cost but additional money to support the inquiry.

Hannah Mary Goodlad: I understand the context of the committee's interest in the costs. It is important that I put on the record that those are legitimate questions to ask. Each of the ongoing public inquiries is rightly independent of Government oversight. The inquiries have the necessary independence and third-party expertise to operate with the flexibility that is required to provide a fair and robust assessment of the situation.

Many of the inquiries are sensitive and delicate by nature. We would not like to be seen as capping or applying rigidity to those processes, because it is fair and right to preserve the inquiries' independent nature. However, the inquiries come back with quarterly reports on costs and related stats, which I support.

The Convener: I absolutely take your point on the independence and sensitive nature of those inquiries, the establishment of some of which has been campaigned for by families for a long time. To be brutal, my question was about the cold, hard cash that is available. I am hearing from you that the amount of money that has been provided for that particular inquiry might not fund it in its entirety.

Hannah Mary Goodlad: It might not. I will certainly not impose a heavy-handed cap on the cost, because I do not think that it is right for a minister to start getting involved with an independent review.

The project management of the inquiries also involves fiscal prudence. It is a culture that we all need to live and breathe as the Government, as public bodies and as parliamentarians until 2030 and probably beyond, because the financial situation that I see will not improve in the next five years. Everybody has to have that culture, top down and bottom up.

The Convener: It was helpful to get clarity on that question, given that £3.7 million was the figure that was used in the documents.

I have not had any indication that any other member has further questions. I appreciate that we have gone over the allocated time, so thank you for your continued answers.

We now move to agenda item 3, which involves formal consideration of the motion on the draft affirmative regulations. I invite the minister to move motion S7M-01360.

Motion moved,

That the Finance and Public Administration Committee recommends that the Budget (Scotland) Act 2026

Amendment Regulations 2026 [draft] be approved.—
[Hannah Mary Goodlad]

Motion agreed to.

I thank the minister and her officials for their evidence today. We will publish a short report to the Parliament in due course setting out our decision on the instrument.

That concludes the public part of our meeting. The next meeting of the committee will take place on Wednesday 4 November.

11:00

Meeting continued in private until 12:03.

This is a draft *Official Report* and is subject to correction between publication and archiving, which will take place no later than 35 working days after the date of the meeting. The most up-to-date version is available here:
<https://www.parliament.scot/chamber-and-committees/official-report>

Members and other meeting participants who wish to suggest corrections to their contributions should contact the Official Report.

Official Report
Room T2.20
Scottish Parliament
Edinburgh
EH99 1SP

Email: official.report@parliament.scot
Telephone: 0131 348 5447

The deadline for corrections to this edition is 20 working days after the date of publication.

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

All documents are available on
the Scottish Parliament website at:

www.parliament.scot

Information on non-endorsed print suppliers
is available here:

www.parliament.scot/documents

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000
Textphone: 0800 092 7100
Email: sp.info@parliament.scot



The Scottish Parliament
Pàrlamaid na h-Alba