



The Scottish Parliament
Pàrlamaid na h-Alba

Published 30 October 2025
SP Paper 896
11th Report, 2025 (Session 6)

Finance and Public Administration Committee

Report on pre-budget scrutiny 2026-27: responding to long-term fiscal pressures



Published in Scotland by the Scottish Parliamentary Corporate Body.

All documents are available on the Scottish
Parliament website at:
<https://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

Contents

Introduction	1
Delays to fiscal events and publications	3
Fiscal pressures	5
Medium to long-term outlook	5
Medium to long-term strategic planning	6
The MTFS and FSDP	6
Long-term and futures planning	7
Public spending	10
Transparency of budgetary information	10
Prioritisation	10
Social security spending	11
Universality	13
Reform	14
PSR Strategy	14
Efficiencies	15
Public sector pay	17
Invest to Save Fund	18
Prevention	19
Scottish Spending Review	20
Economic growth	23
Skills and growing the tax base	23
Procurement and regulation	25
Productivity	25
Labour market data	26
Capital budget	28
Approach and priorities	28
Other sources of funding	29
Taxation	31
Approach to taxation	31
Fiscal frameworks	32
Bibliography	35

Finance and Public Administration Committee

To consider and report on the following (and any additional matter added under Rule 6.1.5A)—

(a) any report or other document containing proposals for, or budgets of, public revenue or expenditure or proposals for the making of a Scottish rate resolution, taking into account any report or recommendations concerning such documents made by any other committee with power to consider such documents or any part of them;

(b) any report made by a committee setting out proposals concerning public revenue or expenditure;

(c) Budget Bills; and

(d) any other matter relating to or affecting the revenue or expenditure of the Scottish Administration or other monies payable into or expenditure payable out of the Scottish Consolidated Fund.

(e) matters relating to the National Performance Framework within the responsibilities of the Deputy First Minister, public service reform within the responsibility of the Cabinet Secretary for Finance and Local Government, and public administration.



FPA.committee@parliament.scot



0131 3485978

Committee Membership



Convener
Kenneth Gibson
Scottish National Party



Deputy Convener
Michael Marra
Scottish Labour



Ross Greer
Scottish Green Party



Craig Hoy
Scottish Conservative
and Unionist Party



John Mason
Independent



Liz Smith
Scottish Conservative
and Unionist Party



Michelle Thomson
Scottish National Party

Introduction

1. The Finance and Public Administration Committee's pre-budget 2026-27 scrutiny builds on our findings over successive years regarding a lack of strategic financial planning in the Scottish Government against a backdrop of significant fiscal pressures, not least future demographic trends.
2. According to the Scottish Fiscal Commission (SFC), "the Scottish Government will face significant challenges funding devolved public services in the future, particularly over the next twenty-five years ... because the population in Scotland will age earlier than in the rest of the UK".¹ The Scottish Government's 2025 Medium-Term Financial Strategy (MTFS) confirms that the gap between funding and resource spending, which comprises 90% of the Scottish Budget, will rise to £2.6 billion by 2029-30.²
3. Shorter term, the Cabinet Secretary for Finance and Local Government has warned that "difficult choices will be required" in the upcoming Scottish Budget.³ Challenging decisions also lie ahead for the UK Government in its Autumn Statement, with the Office for Budget Responsibility recently noting that "the scale and array of risks to the UK fiscal outlook remains daunting".⁴
4. A feature of our pre-budget and budget scrutiny throughout this session has been late publication of key documents, hindering parliamentary scrutiny. This year, both the MTFS and Scottish Budget have been delayed due to the timing of UK fiscal events. The timetable for scrutiny of the Scottish Budget 2026-27 and associated documents in January 2026 is unacceptably short. This report therefore urges the UK Government to place greater emphasis on the impact on devolved budgets when considering the timing of its fiscal events.
5. This report explores what steps the Scottish Government is taking now to start to respond to long-term fiscal pressures and identifies where more action is needed. This includes considering whether the Scottish Government's key financial planning documents, including its MTFS and new Fiscal Sustainability Delivery Plan (FSDP)⁵, demonstrate improved medium and longer-term financial planning. In addition, we look ahead to the first comprehensive Scottish Spending Review since 2011 and long-awaited infrastructure plans, while also considering the Scottish Government's approach to public service reform and growing the economy.
6. The Committee launched a call for views⁶ on 13 June which ran until 11 August 2025 and received 28 written submissions⁷. Oral evidence sessions with a range of witnesses took place on 2, 9, 16 and 30 September.⁸
7. In addition to evidence gathered, our report also draws on learning from fact-finding visits to the Advanced Manufacturing Innovation District Scotland (AMIDS) in Paisley, and to Lithuania where we heard more about its futures-thinking approach and policies on economic growth. Further details can be found in a note of the visit to AMIDS and a detailed report of our visit to Lithuania, both of which are available on the Committee's pre-budget 2026-27 web pages.⁹

8. The Committee thanks our budget adviser, Professor Mairi Spowage, Director of the Fraser of Allander Institute (FAI), and the Financial Scrutiny Unit in SPICe, for their support with this work. We also thank those who took the time to provide evidence and to meet with us during our visits, which have helped shape our findings and recommendations.

Delays to fiscal events and publications

9. With the aim of supporting parliamentary committees' pre-budget scrutiny, the Scottish Government normally publishes its MTFs in May each year, alongside Economic and Fiscal Forecasts produced by the SFC. The Scottish Government opted not to publish an MTFs in 2024, due to a change in First Minister and thereafter a UK general election being called. The Scottish Government later advised that the 2025 MTFs would not be published as intended on 29 May 2025, and would instead be scheduled for 25 June 2025, following the UK Spending Review on 11 June.
10. At the time, the Committee outlined our disappointment that this would mean “the earliest opportunity for Committee scrutiny of the MTFs would be when Parliament resumed in early September, over two months later [and ...] that subject committees' consideration of their pre-budget scrutiny approaches that take place in May/June could not, as intended, be informed by the Scottish Government's medium-term outlook”. We also expressed concern that “with no MTFs since May 2023, details of the Scottish Government's medium-term approach are now urgent”.
11. As noted above, the Scottish Government's seventh MTFs was published alongside a new document – the FSDP – “bringing together the key actions the Scottish Government is taking to deliver the fiscal strategy over the next five years, from now until financial year 2029-2030”. Published on 19 June 2025, the Scottish Government's first Public Service Reform Strategy ¹⁰ sets out “commitments to change the system of public services - to be preventative, to better join up and to be efficient - in order to better deliver for people”.
12. The SFC decided to proceed with publication of Scotland's Economic and Fiscal Forecasts on the original date for the MTFs in May ¹¹ “as all the necessary forecasting analysis and engagement with the Government had taken place by the time we were informed of the delay”. The SFC explained that “we also believe the publication of these forecasts supports transparency and parliamentary scrutiny”. It published a follow-up report to accompany publication of the MTFs on 25 June ¹² providing further detail and commentary on the Government's funding position and a formal assessment of the reasonableness of the Government's borrowing plans”. Its June 2025 report also includes a restatement of the forecasts published in May “thereby fulfilling our duty to publish forecasts to accompany the MTFs”.
13. The SFC published its second Fiscal Update ¹³ on 26 August 2025. This Update “considers how recent developments in the economic and fiscal outlook have affected the Scottish Budget in 2025-26 and how they may affect the upcoming 2026-27 Budget and the Spending Review”. The Scottish Budget and Scottish Spending Review are both to be published on 13 January 2026, alongside infrastructure plans which have been delayed since December 2023 for reasons that remain unclear to the Committee.

14. **Regular fiscal events and publication of key financial planning documents are crucial in enabling robust and effective parliamentary scrutiny. It is**

therefore disappointing that repeated delays have been a feature of this session of Parliament.

- 15. The Committee has committed to engaging further with the Scottish Government and the Scottish Fiscal Commission to explore whether an optimal time can be secured for both budget formulation and scrutiny. We also urge the UK Government to place greater emphasis on the impact on devolved budgets when considering the timing of its fiscal events.**

- 16. The Committee further wishes to acknowledge the SFC's continued commitment to supporting this Committee and Parliament to carry out effective parliamentary scrutiny through its regular and robust analysis, evidence and briefings.**

Fiscal pressures

Medium to long-term outlook

17. As noted above, the SFC in its Fiscal Sustainability Report – April 2025 suggests the Scottish Government will face significant challenges funding devolved public services in the future, particularly over the next 25 years. This, it explains, is because the population in Scotland will age earlier than in the rest of the UKⁱ, and a growing number of people in older age groups is likely to lead to more healthcare spending. However, the SFC argues that “if improvements in population health can be achieved, pressure on health-related spending may be reduced in the future”.¹
18. The Report also highlights that spending on health, already the largest proportion of spend in the Scottish Budget, is expected to grow by 238% by the end of the projection period (2074-75)ⁱⁱ. Spending on social care is projected to grow by 131% and spending on social security by 129%. Other areas of spending are facing a 92% increase except for education at 69%.
19. The Report measures fiscal sustainability using what it describes as the ‘annual budget gap’, which it defines as “a hypothetical gap between funding and spending that highlights the Scottish Government’s long-term fiscal challenges”. The SFC estimates that due to Scotland specific demographic challenges, the average annual budget gap is minus 1.5% in the first twenty years (from 2030-31 to 2049-50), and minus 0.9% in the second twenty-five years (from 2050-51 to 2074-75).¹
20. To balance the budget, the SFC suggests that Scottish devolved spending would have to be reduced by 1.2% each year. This is equivalent to savings of £1 billion in 2024-25 prices.
21. Over the next five years, the Scottish Government’s total funding is expected to grow by 0.7% in real terms a year. Over the same period, in real terms, resource funding is expected to increase by 1% a year while capital funding is set to fall by 1.8% a year. The SFC, in its June 2025 Forecasts, concludes that the gaps between the Scottish Government’s spending projections and the available funding are “significant”. For resource, “there is a move from a balanced budget in 2025-26 to a gap of just under £1 billion in 2026-27 and a gap of over £2.6 billion in 2029-30. For capital, the gap reaches £2.1 billion by 2029-30”.¹²
22. The total forecast tax net position ranges from £1.2 billion in 2025-26 to £2.3 billion in 2029-2030. Income tax is the largest component of the net tax position, amounting to almost £2.2 billion in 2029-30. The MTFs notes that for income tax “there is substantial downside risk associated with the net position in later years”. This risk is driven by “divergent earnings growth” between the SFC and the Office for Budget Responsibility (OBR) which is “greater than has historically been the case”.²

i The SFC notes that the rest of the UK is projected to have higher birth rates and higher levels of migration resulting in a faster growing population.

ii In 2024-25 prices.

Medium to long-term strategic planning

The MTFS and FSDP

23. The 2025 MTFS notes that the Scottish Government is committed to deliver a strategy which ensures that “the public finances remain sustainable over the medium term” and is built around the three pillars of public spending, economic growth, and taxation. The Scottish Government argues that “the MTFS responds to the scale of the fiscal challenge that we face” and the FSDP brings together the actions from across Government to deliver fiscal sustainability under the three pillars. Together, the Scottish Government suggests, the two documents “set out a credible plan to ensure we can continue to deliver this Government’s priorities”.²
24. The Committee explored in evidence the adequacy of the Scottish Government’s medium-term plans set out in the MTFS and FSDP, and how it intends to respond to longer-term fiscal pressures. Evidence we received suggested that the Scottish Government has set out more information on the scale of the fiscal challenges that lie ahead than in previous years, but further detail is needed on how these will be addressed. Evidence of longer-term financial planning is limited.
25. While noting that the MTFS for the first time clearly sets out assumptions underlying the main scenarios, the FAI suggested that the FSDP “seems more like a disparate set of aspirations than a coherent plan, and it lacks the attributes that anything approaching delivery would require”. The FAI said it remains unclear why the FSDP needs to be a separate document to the MTFS, adding that the FSDP appears to be “lacking an overall statement on how the proposed savings would add up and how they compare with the fiscal gaps in the MTFS”.¹⁴
26. The Scottish Women’s Budget Group also highlighted insufficient detail on the scale, or the timings of the investment required to deliver the efficiencies that the FSDP aims to achieve¹⁵, and Oxfam Scotland said, “neither the MTFS nor the FSDP adequately address the well documented fiscal challenges facing the Scottish Government in future years”. It went on to note “clear contradictions, a re-hashing of existing policy commitments and in many instances where they point to new policy, there is a clear lack of detail to when and how this will be progressed and implemented in practice”.¹⁶
27. We also heard from Audit Scotland that “the extent to which the Scottish Government’s spending projections are linked to existing spending commitments means it is difficult to see where and to what extent future portfolio budgets can flex to meet fiscal pressures”. Audit Scotland also argued that better alignment between Scottish Government documents such as the MTFS, FSDP and PSR Strategy is important for scrutiny.¹⁷ East Ayrshire Council further expressed concern that the “joined-up nature of these documents will be lost at the next Scottish Budget”.¹⁸
28. **The Committee notes the welcome improvements in the level of information provided in the MTFS on the challenges ahead. Like the FAI, we do not believe that a separate document is necessary to set out how the Scottish Government is responding to these medium-term pressures. The**

information could just as simply be included in the MTFs, enabling better clarity and cohesion.

29. **We do not share the Scottish Government's view that the two documents "set out a credible plan" to ensure it can continue to deliver its priorities. In future iterations, we seek more detail on the cumulative impact the measures will have in closing the fiscal gaps set out in the MTFs, along with a timetable for implementation to allow monitoring of progress.**

Long-term and futures planning

30. The SFC told us that while the MTFs sets out the scale of the challenge that the Government faces in balancing its budget, "just as importantly, the Scottish Budget also faces long-term pressures beyond the five years covered by the MTFs, as we have highlighted in our work on fiscal sustainability".¹⁹
31. Social Work Scotland (SWS) made the case for extending the time horizons of the MTFs, given "the basis for longer-term planning exists" through the SFC's April 2025 Fiscal Sustainability Report and the risk of longer-term challenges such as climate change not being addressed through medium-term plans.²⁰
32. We asked the Scottish Government to provide a full response to the SFC's Fiscal Sustainability Report on demographics published in March 2023, and to schedule a debate to enable a broader discussion across Parliament about longer-term fiscal challenges.²¹ While the Cabinet Secretary for Finance and Local Government (FLG) announced during the debate held in October 2024²² that an FSDP would be published for the first time alongside the 2025 MTFs, as noted above this only covers the same five-year period. We therefore remain in the dark on the Scottish Government's longer-term financial plans.
33. In our Report on Public Administration: Effective Scottish Government Decision-Making published in July 2023, we made broader recommendations relating to futures planning, including that the Scottish Government should give consideration "to developing and publishing long-term insight briefings, drawing out the challenges Scotland is likely to face over the next half century".²³ The then Permanent Secretary said in response that reports of longer-term insights would be published in early autumn 2024 "to create a new resource for public bodies and partners in the third and private sectors".²⁴ We welcome the first of these insights, Future Trends for Scotland, published in June 2025.²⁵
34. We committed in our Report on the Scottish Budget Process in Practice, published in June 2025, to explore further the idea of a Committee for the Future as part of pre-budget 2026-27 scrutiny, "given the limitations around the Scottish Government's strategic financial planning this session along with the long-term fiscal pressures facing Scotland".²⁶ As part of our visit to Lithuania in September we therefore discussed how the country is responding to similar demographic

challenges to Scotland, including its approach of developing a long-term vision for the country supported through a Parliamentary Committee for the Future.

35. We learned that Lithuania 2050, Lithuania’s vision for the future was approved by Parliament and has buy-in from political parties, public sector, civic society and the public, due to extensive involvement in its development and a clear framework around actions and monitoring progress. Leadership is provided by the State Progress Council, chaired by the Prime Minister, with representation from all political parties and the public sector, and monitoring of progress against the vision is provided by the Committee for the Future. All long-term strategies are to be aligned with the vision.
36. Priorities for the country include stabilising demographic decline, through a combination of four areas of focus: (1) migration, (2) attracting people into work, (3) living longer and healthier lives, and (4) family policies. During our visit we also heard from Create Lithuania, which was established in 2012 to identify and support Lithuanians living and working abroad to return for short-term contracts where they can work on a project matched to their interests and skills. They analyse an issue, identify good practice and develop and then implement solutions. We learned that organisations involved tend to seek to retain these people as experts beyond the programme, leading to over 300 Lithuanians returning to the country to live and work.
37. The Lithuanian Government Strategic Analysis Centre (STRATA)ⁱⁱⁱ is analysing each theme from Lithuania 2050 and producing foresight papers, e.g. on migration, consulting with experts and the public on concrete actions to implement the vision.
38. The Lithuanian Parliament’s Committee for the Future has 17 Members representing all political groups and focuses on long-term trends and strategic interests. The Committee receives a report from Government showing the direction of travel against the country’s long-term priorities and has a key role in monitoring progress against delivery of these commitments. It was suggested that the Committee “acts as a change agent” in public governance and that “it changes mindsets and embeds foresight thinking”.
39. The Cabinet Secretary for FLG said she would be happy to look at the Lithuanian model in more detail. She went on to say “I know that this will be difficult in the current political climate, but if we were able to establish enough of a consensus about what such a vision would look like, we might be able to have some kind of landing space in which, although we might disagree on certain things, we could agree on the things that we need to move towards”.²⁷

40. The Committee urges the Scottish Government to place much greater emphasis on longer-term financial planning in order to start mitigating the potential significant impact of future trends.

41. In the first instance, the Committee calls on the Scottish Government to

ⁱⁱⁱ STRATA | Všį Vyriausybės strateginės analizės centras

provide a full response to the SFC's 2025 Fiscal Sustainability Report. We are disappointed that a fiscal sustainability debate has not yet been scheduled for 2025 and we ask the Scottish Government to commit to an annual parliamentary debate on the topic, as it provides an opportunity for all Members to discuss the long-term challenges ahead and how these might be addressed.

42. More broadly, the Committee is impressed by the approach taken to collectively develop and implement Lithuania 2050, Lithuania's vision for the future, with progress towards achieving the vision monitored by a parliamentary committee. This model has the potential to have more teeth than the National Performance Framework, which we note is not mentioned at all in either the MTFS or FSDP. We therefore welcome the Cabinet Secretary's willingness to consider the Lithuanian model in more detail and we seek an update on her conclusions by the end of January 2026.

43. We also ask the Scottish Government to consider whether there are lessons it can learn from the Create Lithuania programme in attracting people from Scotland to return here to live and work.

Public spending

Transparency of budgetary information

44. Most witnesses noted improvements regarding the transparency and presentation of budgetary information in recent years.
45. The SFC for example acknowledged that “a lot has been done over the past few years to improve the level of information that is provided in budget documents and to make it more transparent”, including presenting the budget document for 2025-26 based on the change between the Autumn Budget Revision (ABR) and the following year’s spend. The SFC argued that further improvements could include publishing additional information on internal transfers or presenting the Budget with all spending shown at the outset under the portfolio where it will ultimately incur the spending.¹⁹
46. In respect of the MTFS, both the FAI and SWS called for the calculations behind the underlying assumptions to be made available so they can be assessed fully.²⁸
47. The Cabinet Secretary for FLG previously committed to exploring further improvements to the presentation of budgetary information.²⁶

48. The Committee seeks a response from the Scottish Government regarding our request that all regular internal transfers are baselined in the Scottish Budget. We also ask that in future years the calculations behind the underlying assumptions in the MTFS are published.

Prioritisation

49. Pillar 1 of the MTFS is on public spending, specifically ensuring that public money is focused on delivering government objectives, underpinned by reform and prioritisation to maximise impact.² The Scottish Government’s four priorities^{iv} are—
 - eradicating child poverty,
 - growing the economy,
 - tackling the climate emergency, and
 - improving public services.
50. During evidence to the Committee on 2 September, the Cabinet Secretary for FLG explained that “our approach is designed to support the delivery of the Government’s four key priorities”. She went on to say, “that means making choices

iv Announced by the First Minister in a statement to Parliament on 22 May 2024.

that focus spending where it has the greatest impact, supporting inclusive economic growth and ensuring a fair and strategic approach to taxation”.¹⁹

51. However, we heard from witnesses that there is little evidence of prioritisation. The FAI for example told us that the MTFS “essentially assumes no prioritisation of needs and funding for different areas, merely growing them in the assumption that all are equal priorities for the Scottish Government [...], which] in practice cannot really be true”.¹⁴ The FAI added “we await some detail on what the Government wants to prioritise and deprioritise”.²⁸
52. Colleges Scotland also told us that future MTFS should link achievements to specific priorities to assist in understanding of spending decisions²⁹, while Audit Scotland said, “it would be useful to see a clear line that shows how each spending measure addressed the priorities”.²⁸
53. Asked to evidence how the Scottish Government has prioritised spend, the Cabinet Secretary for FLG explained that all areas of spend in each portfolio have been “pivoted” to the Government’s four priorities, with difficult decisions made “about things that we cannot take forward and things that we might have to return to in the future should finances allow”.¹⁹ She also provided examples of limiting the expansion of free school meals and targeting a real-term funding uplift to patient-facing front-line health boards.²⁷

- 54. The Committee seeks clarity in future documents on which areas of spending are being prioritised and deprioritised. We also recommend that Audit Scotland’s suggestion that there is “a clear line that shows how each spending measure addresses the Scottish Government’s priorities” is actioned in future Budgets.**

Social security spending

55. The MTFS highlights the SFC’s June 2025 forecasts showing overall expenditure on social security increasing significantly from £6.8 billion in 2025-26 to £8.8 billion by 2029-30. Total additional spend reflecting policy choices in Scotland (over and above equivalent policies in England) rises from just over £1 billion in 2025-26 to £1.8 billion in 2029-30 according to the MTFS.² Based on 2025-26 Budget plans, spending on social security will be 55% above 2020-21 levels in real terms, because of the Scottish Government’s expanded policies on social security and rising numbers of people receiving disability payments in Scotland as well as across the UK.¹³ Taking account of demographic trends, the SFC in its 2025 Fiscal Sustainability Report projects disability payments to increase from £4.2 billion in 2023-24 to £16 billion (current prices) in 2074-75.¹
56. The MTFS explains that “social security is an investment in the people of Scotland” and that “the Scottish Government is building a modern social security system with dignity, fairness and respect at its heart, where people receive the support to which they are entitled”. It also commits the Scottish Government “to protect the current

benefits offer while improving the efficiency of how we deliver benefits through improving communication to clients, investment in digital and automation of some payments, and continuing to pursue initiatives which increase the ability to tackle fraud and error where it does occur".²

57. The Committee previously requested that the MTFs includes an update on the fiscal sustainability of social security spend including "details of how the Scottish Government is assessing the effectiveness and outcomes of its approach to the delivery of benefits as well as impacts on other parts of the Budget".³⁰ This information has not been provided.
58. The Committee explored during evidence the sustainability of the growing social security budget and its impact on other areas of spending within the Scottish Budget. The STUC told us that "while the Scottish Government's policy choice to invest in social security over and above the funding received from the UK Government through the Block Grant Adjustment (BGA), is welcome, it is not sustainable unless accompanied by additional tax revenue". The STUC therefore argued that a tax review should take place alongside the Scottish Spending Review.³¹
59. The Committee notes that in Lithuania, the country's reserve funds are drawn on or added to if demand-led spending on social security and health does not correspond with original plans in the Budget.
60. The Cabinet Secretary for FLG told the Committee that the Scottish Government is investing £649 million in this financial year in the package of seven benefits and payments that are available only in Scotland, adding that "we believe that this is not just an investment that is essential for the future cohesion of our society but one that has an economic benefit as well". She noted "the fact that we are the only part of the UK with falling child poverty rates tells me that it is an investment worth making".¹⁹ The Cabinet Secretary for Social Justice (SJ), at a separate evidence session on 16 September 2025, said "I disagree with the suggestion that our benefits are unsustainable".³²
61. In response to questions about whether social security assistance is the best way to move people out of poverty, the Cabinet Secretary for FLG acknowledged that it is "one aspect of assisting people with poverty; the others are about ensuring well-paid employment and allowing people to take part in education and training".¹⁹ The Cabinet Secretary for SJ also referred to evidence received by the Scottish Government that the Scottish Child Payment, at its current level, is not a disincentive to people taking up employment.³²

62. The Committee is not convinced that the Scottish Government has set out sufficient evidence to support its argument that the future social security budget is sustainable.

63. We are disappointed that the MTFs did not include the information we requested on the fiscal sustainability of social security spend including

details of how the Scottish Government is assessing the effectiveness and outcomes of its approach to the delivery of benefits as well as impacts on other parts of the Budget. We therefore ask it to carry out and report back on this work without further delay.

64. The Committee also requests that the Scottish Government undertakes a review of the extent to which the level of social security assistance provided supports economic activity.

65. The Committee also sought clarity regarding the Scottish Government's approach to recover historical fraudulent claims and overpayments of £36 million, given reports in the media that it would not be pursuing this sum. The Cabinet Secretary for SJ explained to the Committee that the Scottish Government disagrees with, and has therefore opted out of, some aspects of the UK Government's approach to recovering these historical sums.³²

66. She explained that work is underway with the Department for Work and Pensions to "get an understanding of what sits behind that £36 million—that is, what proportion of that £36 million is for disability benefits, what is for carers and what is for industrial injuries—because those will have different recovery proportions". She also indicated that Social Security Scotland (SSS) will continue to take a zero-tolerance approach to fraud and that any decision to write off any debts will be made only on an exceptional basis and after a full assessment has been taken.³²

67. The Cabinet Secretary for SJ added that no single Scottish Budget would be impacted by historical debt as sums are recovered over a longer period.³²

68. The Committee seeks an update on the Scottish Government's plans to recover historical fraudulent claims and overpayments following its discussions with the Department for Work and Pensions on the composition of the debt.

Universality

69. The Committee explored with witnesses the merits of universality compared to targeted funding in the context of immediate and long-term fiscal pressures. The FAI told us that "the approach of universal delivery versus targeted delivery should definitely be something to discuss", adding "there are areas where universal delivery can have a much bigger impact than others on overall spending and overall effectiveness". We also heard that decisions on universality or targeting should be evidence-based.²⁸

70. The STUC raised the specific example of the Small Business Bonus Scheme (SBBS), stating "there has been absolutely no evidence that the—I think—several billion pounds, cumulatively, that has been spent on that has actually helped". It

went on to suggest that providing more targeted assistance to small businesses, “would save couple of hundred million”. Concerns were also raised that the Scottish Government had not acted on FAI analysis published in March 2022 which found little evidence showing the SBBS has supported enhanced business outcomes. ²⁸

71. On this specific point, the Cabinet Secretary for FLG noted that “we keep things under review and, if we could support businesses in a more effective way, we should be open to doing that”, adding that removing the support “would not be the right thing to do” in the current economic climate. ¹⁹
72. More broadly, the Cabinet Secretary argued “there is always a balance to be struck around what is universal provision and what is more targeted” including in the context of fiscal constraint. ²⁷ The Cabinet Secretary for SJ also told the Committee that “there are reasons to have universalism and there are other policies that should be targeted, but the Government has no plans to take away benefits or entitlements from people”, adding “that is important reassurance we can give”. ³²

73. Given the level of fiscal gap, the Committee recommends that the Scottish Government carries out a review of the spending and outcomes arising from universal payments and services, if this is not already taking place as part of the 2025 Scottish Spending Review.

74. We also ask the Scottish Government to give further consideration to the evidence produced by the FAI on the Small Business Bonus Scheme and whether targeted relief could provide better outcomes.

Reform

PSR Strategy

75. As noted above, reform is included in the public spending pillar in the MTFs which sets out four key measures of public value, efficiencies and productivity, service reform and prevention. Reform is also a key part of this Committee’s remit.
76. During the Committee’s inquiry into public service reform in 2023, we heard evidence to suggest that the Christie Commission’s 2011 report ³³ on the future delivery of public services based around people, partnership, prevention and performance remains relevant today but progress towards its vision and recommendations has been limited. ²¹ This view is echoed by the Minister for Public Finance in his Foreword to the Scottish Government’s first PSR Strategy – Delivering for Scotland. He notes that “despite some significant successes”, the Christie Commission’s vision “has not been delivered to its full potential”. ¹⁰
77. The Minister suggests that the PSR Strategy addresses this challenge; it “identifies the underlying systemic barriers and root causes which prevent us moving faster and further and sets out practical actions to overcome those barriers”. He confirms

“this is not about reducing service provision [;...] it is about delivering existing public services more effectively and efficiently”.¹⁰

78. The PSR Strategy has three pillars: prevention, joined up services, and efficient services. It also includes a section setting out how the Scottish Government will measure and understand progress, which notes that each of the workstreams and programmes included has its own governance and evaluation framework. Monitoring and evaluation will also take place at a “system wide level to ensure coordination”, through the Public Service Reform Board and a Theory of Change and Monitoring, Evaluation and Learning Framework is being developed to support this work.¹⁰
79. Witnesses told us that the PSR Strategy is welcome in looking at Government strategies across the piece, however, they highlighted that the higher the number of Government strategies, the higher the risk that they do not align. Audit Scotland explained that “an inevitable risk as the base of strategies grows is that, over time, the strategies are no longer aware of each other”.²⁸ Following a request from the Committee, the Scottish Government confirmed that as of 22 August 2025 it had 100 live strategies in place.³⁴
80. The Scottish Women’s Budget Group suggested that the PSR Strategy does not clearly articulate the intended outcomes and how success will be measured¹⁵, a view shared by SCVO which suggested greater detail is needed on timelines, indicators and working structures to track whether commitments are being met.³⁵

81. The Committee welcomes the Scottish Government’s renewed impetus on public service reform. We seek further information on how the Change and Monitoring, Evaluation and Learning Framework being developed will support robust assessment of progress and outcomes.

82. As the Scottish Government now has a baseline figure for the number of live strategies it has in place, the Committee asks it to report annually on what steps it is taking to monitor and reduce this number wherever possible to minimise overlap and ensure alignment.

Efficiencies

83. The PSR Strategy commits to reducing annualised Scottish Government and public body corporate costs by £1 billion over the next five years, representing around 20% of the identified public body corporate and core government operating costs. It sets out various workstreams to help achieve this aim, including (but not limited to) data collection, workforce reform, digital skills and resource, shared services, scaling Intelligent Automation, expansion of National Collaborative Procurement and the single Scottish estate, which itself aims to deliver £50 million of savings by 2028.¹⁰
84. The Scottish Government has since also committed to a public sector workforce reduction of around 0.5% a year over the next five years, with “frontline services

remaining protected”.⁵

85. The SFC’s Fiscal Update notes that the FSDP “identified broad areas of efficiency and reforms in the public sector which the Government plans to use to close the fiscal gaps identified in the MTFs”. However, it goes on to say that “except for the commitment to reduce the size of the workforce, the detail of how these efficiencies and reforms would be achieved was not included”.¹³
86. Witnesses told us there needs to be a clear, detailed plan which sets out the areas of the public sector where more or fewer staff are needed on which to base decisions around workforce. The FAI also said that the FSDP is unclear if the Scottish Government has fully appreciated that 0.5% is only the net figure and thinking is needed on what the gross figures in each part of government need to be to deliver that target.²⁸
87. We heard from Audit Scotland that the Scottish Government needs to understand the correct workforce level that it requires to deliver public services, “including how it might change the way that it delivers services, whether that is through digital, new ways of working or what have you”.²⁸ Witnesses also noted that productivity in the public service workforce, through effective resourcing including digitalisation, will be crucial in achieving the efficiencies the Scottish Government say are necessary.²⁸
88. The Committee heard concerns regarding the blanket aim to preserve frontline jobs, when reducing back-office roles has an impact on the time those on the frontline can dedicate to delivering services. The FAI told us it is unclear if the Scottish Government is aware of the impact on the ‘frontline’ of focusing workforce reductions on ‘back-office’ staff. It added that the idea that the Government’s 0.5% target “will have no effect on frontline services [...] seems implausible in the absence of some pretty heroic improvements in productivity”.²⁸
89. The STUC questioned the credibility of the public sector efficiency targets and noted that the workforce reduction target of 0.5% per annum over five years “is simply salami slicing and will lead to the loss of 12,000 jobs”.³¹ It argued, “how we go about public sector reform, how we involve workers and how it is framed—in terms of it being about better outcomes for the people who they care for rather than about top-down budget cuts—are really, really important if we are to get the best outcome”.²⁸
90. Asked to explain the increase in civil service headcount in recent years, the Cabinet Secretary for FLG said that growth has not occurred in all areas, but numbers have increased where more responsibilities have arisen from devolution (Social Security Scotland) or from bringing bodies into public ownership (ScotRail).¹⁹
91. The Cabinet Secretary reiterated that these reforms must be carried out in “a managed way” and prioritise and protect the front line. She suggested “people will leave partly through natural attrition and voluntary severance”, but compulsory redundancies are a backstop where other options have been exhausted.²⁷
92. She further indicated that the target for reducing corporate staff numbers “is sending a clear message that corporate functions in the public sector need to be done differently” and that she expects all parts of the public sector to produce plans

on how they will reduce their corporate costs.²⁷ She was clear during evidence that the 0.5% annual reduction in public service workforce "absolutely has to be delivered and it will be" and that the 20% reduction in corporate costs is also "a requirement that we have to deliver on".¹⁹

93. The Committee urges the Scottish Government to set out a detailed plan on how it will meet its high-level targets on efficiencies and workforce while minimising the impact on public services. Evidence and trends suggest these targets will be incredibly challenging to meet.

94. We are also not convinced the Scottish Government has sufficiently considered potential impacts on frontline services of targeting back-office jobs for cuts and request that the detailed plan provides evidence to show how this will work in practice.

95. The plan should also include an assessment of where more or fewer staff are needed and the actions the Scottish Government will take to encourage improvements in public sector productivity, in addition to maximising opportunities for digitisation and automation to help achieve its targets.

96. We heard during our fact-finding visit to Lithuania that a Data Lake is being developed to document all public sector data in the country, integrate, centralise and 'open it up', with the aim of increasing the state's resilience to threats. The Data Lake is regarded by the Statistics Data Agency as a "safe space" and a "powerful platform" for public sector organisations to request and link to data.

97. One of the reasons for creating the Data Lake was the lack of interoperability of systems in the public sector. The process of developing the Data Lake was lengthy, including establishing what data the country has and how it could be linked, and helping organisations to understand the data they hold and its potential impact.

98. The Committee seeks an update from the Scottish Government on whether it is considering taking a similar approach to that in Lithuania, where a Data Lake has been created to 'open up' public sector data. The utilisation of public sector data in this way is fundamental to securing efficiencies, promoting innovation and maximising opportunities in AI.

Public sector pay

99. The Scottish Government's public sector pay policy published in December 2024 provides a framework for yearly pay deals to be limited to a 3% increase in 2025-26 or to a cumulative 9% over three years from 2025-26 to 2027-28.³⁶ In its Fiscal Update, the SFC noted that "the pay deals agreed have all exceeded the Scottish Government's public sector pay policy" and further stated that "unless deals with

nominal pay growth of around 1% are accepted for the final year, the policy of 9% pay increases over three years will be exceeded".¹³

100. The SFC expanded on this issue during evidence, stating that "it is incumbent on the Government to consider, and we would hope to see, that the spending review provides a strategy for how the public sector workforce and the pay bill in its entirety are going to be managed and set out over the medium term". This, it suggests, should include a strategy around exactly what the total cost is of the public sector pay bill, including progression, inflation and grade inflation, adding "it is also about the balance between decisions on pay relative to decisions about the workforce".¹⁹
101. The FAI highlighted public sector pay as one of the most important fiscal challenges, noting that pay is higher in Scotland than all UK regions apart from London, and that Scotland has a larger public sector workforce.¹⁴ The SFC suggested that "higher-than-anticipated pay increases would mean the workforce reductions required would be larger than those announced ... to keep the pay bill at the levels intended by 2029-30".¹³
102. The Cabinet Secretary for the FLG was asked to explain the Scottish Government's approach in more detail during evidence. She said that "through having mainly two-year public sector pay deals, we can now focus all the effort on reform, efficiency and doing things differently, rather than on the annual round of pay negotiations". This, she argued, has "a big value", adding "we have tried to land somewhere reasonable that gives some certainty, buys us some peace and gets us moving into reform territory".²⁷

- 103. The Committee shares the SFC's view that the Scottish Spending Review should include a strategy for how the public sector workforce and public sector pay bill are going to be managed over the medium-term. This should provide greater clarity about how decisions on pay impact choices on the size of the workforce and vice versa.**

Invest to Save Fund

104. The 2025-26 Scottish Budget included an Invest to Save Fund of up to £30 million which recognised "the need to catalyse efficiency, effectiveness and productivity projects as part of the PSR programme".³⁷ The PSR Strategy states that the Fund will be developed to support the move to preventative investment.¹⁰
105. The Committee heard that while the Fund is welcome, the sum involved is insufficient and results could be "upscaled dramatically" if the Fund was expanded. It was also argued that monitoring is needed on how the funding is being spent and what outcomes are being achieved.²⁸
106. The Cabinet Secretary for FLG explained that the Scottish Government "wanted to see what the interest and level of ambition and ideas would be for a [... Fund] of that magnitude", adding "we are very thoughtful about, first, the need to keep the

Fund going beyond one year, and secondly, the level of the Fund".²⁷

107. **The Committee seeks details of how the projects receiving funding under the Invest to Save Fund are being monitored for outcomes and whether success is being shared more widely across the public sector.**

108. **We also request further information on whether the Fund is being continued and expanded into future years, as requested by witnesses.**

Prevention

109. As noted earlier in this report, prevention is one of the three pillars in the PSR Strategy, which notes that people in Scotland have told the Government that “despite the importance of prevention, we have not moved the dial sufficiently to prevent damaging experiences and reduce the risk of future need that leads to expensive demand for public services”. The Strategy recognises that prevention is important to fiscal sustainability and “we must change how our system operates to invest in the most impactful approaches to deliver on prevention”.¹⁰
110. The Strategy sets out workstreams on understanding and mitigating demand drivers and preventative budgeting under this pillar, including re-designing the Scottish Government’s approach to identifying, tracking and monitoring preventative spend.¹⁰
111. Audit Scotland told us it has been useful to begin to see in recent Government publications “the difference in pounds and pence that preventative measures could make over the longer term”.²⁸ However, SWS called for better links between the MTFs, FSDP and PSR Strategy, particularly around prevention and preventative spend.²⁰
112. Some potential benefits of preventative approaches were also highlighted by witnesses, including measures to improve population health and reduce health inequalities, such as walking and wheeling. Walking Scotland told us that given the changing demographics, getting very inactive people more active and enabling them to stay active longer is crucial.²⁸ We also heard from Public Health Scotland (PHS) that a public health approach to prevention “would stop issues emerging in the first place” and that “by supporting individuals with chronic health conditions, Scotland can improve workforce participation, tackle child poverty, support economic growth and contribute to fiscal sustainability”.³⁸
113. There were calls from witnesses for a definition of ‘preventative spend’ to enable it to be identified and tracked over time, particularly given the time lag in achieving outcomes. Audit Scotland said, “we will be interested, as we move through the coming year, in how the Scottish Government is reflecting, reporting and monitoring the spends that may have less of an immediate return and more of a long-term one”.¹⁷ PHS also said it is “encouraging that the Scottish Government is now

considering how to track spend on prevention” and that across Government and public finance professionals, there is work going on to produce a workable definition of preventative spend.²⁸

114. While supporting work to classify and measure prevention, the FAI warned that quantifying prevention is “very hard” and that “if you try to categorise everything on whether it really is preventative or not, are you just encouraging people to put that forward in the preventative lens rather than the acute issues lens?”.²⁸
115. The SFC further argued that more detail is needed in the Scottish Spending Review around “what is in the preventative spend bucket, what is in the value-for-money bucket and what is in the efficiency savings bucket” and how that will be monitored and tracked over time.¹⁹

116. **As part of our pre-budget scrutiny last year, the Committee asked the Scottish Government to consider and report back on the potential benefits, risks and costs of introducing a new category of public expenditure on preventative spend, which we were told establishes a benchmark and enables investment to be tracked over time. The Committee seeks an update on progress with this work.**

Scottish Spending Review

117. As noted above, the Scottish Government is publishing the outcomes of its first comprehensive Scottish Spending Review since 2011 alongside the Scottish Budget 2026-27 in January 2026. In its 2017 report, the Budget Process Review Group (BPRG) recommended that the Scottish Government publishes a framework document for each Scottish Spending Review which should set out the economic and political context, the criteria which will govern the assessment of budgets, and the process and timetable for the review.³⁹
118. The framework for this year’s Scottish Spending Review was set out as part of the 2025 MTFS.² The Committee sought to explore during evidence to what extent the framework meets the BPRG’s recommendations on content and timescales as well as what the priorities for the Review should be. The Committee received evidence suggesting that the framework broadly meets the expectations of the BPRG, although there were some concerns regarding the time available for this work following the UK Spending Review in June.²⁸
119. While there were also some questions around the value of the exercise being so close to the Scottish Parliament elections, most witnesses said that the Review is important in setting the scene for debate around the priorities for the next Parliament. The SFC’s 2025 Fiscal Update notes that the Scottish Spending Review should provide “a meaningful basis for informed debate by all political parties on how the fiscal challenges the Scottish Government faces can be addressed”, given implementing the Review “will mainly be the responsibility of the Scottish Government and Scottish Parliament elected in May 2026”.¹³

120. During evidence, the SFC went on to say that the Spending Review is “a pivotal moment and a milestone for the public finances, not just in this session of the Parliament but for future sessions”, adding that it provides “an important opportunity [...] to address immediate budget pressures and, crucially, long-term fiscal sustainability challenges”.¹⁹
121. One of the key issues raised with the Committee was the need for the Scottish Spending Review to be comprehensive, with some witnesses advocating a zero-based budgeting approach, in line with our previous recommendation to the Government. The SFC told us that “the spending review process is as important as the numbers themselves”, while the FAI suggested that zero-based budgeting “certainly has broad support across the UK and is the way things are meant to be delivered in spending reviews”.¹⁹
122. Witnesses also told us that the Review should set out how the ambitions in the MTFs will be realised along with more detail on prioritisation of its spending plans. This includes detail on how the planned workforce reductions, efficiencies and reforms in the public sector as set out in the PSR Strategy and FSDP will be achieved.²⁸
123. As in previous years, witnesses such as the SCVO, called for the Scottish Government to take a “multi-year spending outlook” to provide certainty and efficiencies to the public sector and voluntary organisations.³⁵ We note that three-year budgets are the norm in Lithuania, with flexibility in the second and third years.
124. Asked whether the Scottish Government would take a zero-based budgeting approach to the Scottish Spending Review, the Cabinet Secretary for FLG suggested that “everything should be challenged”. A Scottish Government official confirmed that “we are going through every level 4 in every portfolio in relation to areas of spend”, with further interrogation of individual portfolio plans taking place over the summer. He explained that work on the Scottish Spending Review began when it became clear that a UK Spending Review would take place and has “ramped up” since the outcomes of that process became available in June.¹⁹
125. The Cabinet Secretary for FLG went on to say that “essentially, you will see where the priorities are in terms of the envelopes and growth of funding”. She added that “every part of the public sector will be looked at in terms of the contribution that it can make [and ...] we need to interrogate spend to ensure that it is delivering [and], where spend is delivering, we need to ensure that it continues”.²⁷

126. The Committee remains of the view that a zero-based budgeting approach should be taken in the Scottish Spending Review. As part of the Scottish Government's response to this Report, we seek in-depth information on the process for preparing, scrutinising and delivering the Review.

127. We agree with the SFC that the Review provides an opportunity for the Scottish Government to set out how it will address Scotland's long-term fiscal sustainability challenges. We would also like to see further details of

how it is directing spending toward its priorities, including what areas are being deprioritised, and how it plans to meet its ambitions for workforce reductions and public sector efficiencies.

Economic growth

Skills and growing the tax base

128. In the context of long-term fiscal pressures, the Committee heard strong representations from the bodies representing colleges, universities and small businesses that skills must be a significant focus of Government to support economic growth, including through maximising participation in the labour market and growing the tax base. It was also considered important to align economic growth spending to gaps in skills and labour market needs, with more resource needed to support those furthest from the workforce to gain new skills, reskill or upskill. ²⁸
129. Colleges Scotland highlighted Audit Scotland figures showing that almost £1 in £5 (17%) has been removed from the college sector's budget over the past three years, which has had "a devastating impact on the ability to deliver skills at a time when the capacity needs to increase". It noted that colleges are well-placed to support those furthest from the workforce to get back into work and to reskill and upskill those returning to the labour market or who have been made redundant. The National Transition Training Fund introduced by the Scottish Government in 2020 in response to the economic impact of Covid-19, was cited by Colleges Scotland as offering "a delivery model which can be re-employed to increase labour market participation in key sectors for Scotland and grow the tax base as a result". ²⁹
130. Scottish Enterprise highlighted evidence from the Keep Britain Working Review published in March 2025 suggesting that health-related conditions, disability and ageing are major drivers of economic inactivity. Scottish Enterprise suggested some ways of recruiting and retaining older workers including encouraging employers to reimagine job design and embed flexible and phased retirement options across their workforce through large-scale trials. This, it argued, "will help to build robust evidence and catalyse a culture shift across industries". Its other suggestions include incentivising employers to recruit, retain and retrain older workers and launching a national campaign to tackle age bias and promote fair work. ⁴⁰
131. We also heard from the STUC that the Scottish Government should invest in health spending and employment support to assist people with ill-health or disabilities to re-enter the labour force. ³¹
132. Concerns were raised during evidence regarding the impact of staff shortages in some sectors. The Federation of Small Businesses (FSB) highlighted that a third of small businesses are having recruitment challenges; of that third, 20% have had to reduce the services that they offer due to staff shortages. The FSB suggested this is having "a real knock-on effect on small businesses, on the income that they are able to generate and, on their ability, to maintain their other staff". ²⁸
133. The Scottish Federation of Housing Associations (SFHA) highlighted shortages in the trades and construction sector making it difficult to meet targets relating to affordable housing. ²⁸ This, Colleges Scotland argued, shows that the college sector should be involved in discussions around the skills needed and how to

deliver them at the outset of policy development, such as targets on affordable housing. ²⁸

134. The FAI noted that skills matching and investment in retraining will be particularly important due to the transition to net zero. ¹⁴ In addition, Registers of Scotland is calling for the Scottish Government's labour market strategy to be updated (last update was August 2016), to reflect the labour market post Covid-19. ⁴¹ We also heard that better careers advice is required so that young people understand where the opportunities will be. ²⁸
135. There was recognition from Universities Scotland that "what we will be delivering to meet the needs of the economy and Scottish society is not necessarily what we have been delivering, or certainly not in the way that we have delivered it in recent decades". It called on the Scottish Government to "create a policy and funding environment that gives universities the scope to flexibly respond to Scotland's skills needs, which could in turn make a significant contribution to increasing labour market participation". This includes having more flexibility within graduate apprenticeships to respond to employer needs and offering better support for employers to retain international graduates in Scotland. ⁴²
136. Universities Scotland is seeking discussions with Government and others on the future of the sector and how it can be more efficient and effective. In the meantime, it is arguing for an "injection of funding" into core teaching and core research "to help steady the ship" and create "some space to look at how we can be more innovative and more effective". It is also looking for resource funding to be found within the 2026-27 budget "to create a multi-year transformation or spend-to-save fund for universities at a scale capable of supporting multiple institutions to make their own strategic investments in transformation, long-term efficiency, greater collaboration and shared services". ⁴²
137. The STUC argued for devolution of powers relating to migration and employment law to Scotland and opportunities for Scottish involvement in key cross-border institutions and decision-making bodies "to ensure Scotland's specific population challenges are heard at a UK level". It hopes these measures would help with vacancies and skills gaps and growing the tax base. ³¹
138. The Cabinet Secretary for FLG also recognised that many sectors need more workers and that it is a "major impediment" not having levers around migration. She noted however that "we still have net immigration to Scotland from the rest of the UK across all tax bands" adding "that is a good thing, but we would like to do more in that space, because there are sectors that want to recruit". ²⁷

- 139. The Committee asks the Scottish Government to maximise opportunities for better aligning skills with the needs of Scotland's economy, including supporting fit-for-future funding models for colleges and universities and careers advice. The Committee notes the impact of social security spending on other budgets, such as colleges.**

140. **We also seek further information on how the Scottish Government is supporting organisations to retain and attract older workers and those with disabilities to increase labour market participation and grow the tax base.**

Procurement and regulation

141. Improving procurement processes and minimising regulation were other issues raised as having the potential to help support economic growth.
142. The FSB highlighted an opportunity through the Community and Wealth Building (Scotland) Bill to ensure that procurement spend with small businesses is maximised. This, it noted, “represents a clear opportunity to boost economic growth without specifically allocating capital spend”.⁴³
143. The FSB further highlighted data showing that over a 10th of Scottish small businesses are spending over eight hours a week on regulatory compliance. It is therefore suggesting “combining a reduction of strategy and consultation documents with assessing the disproportionate impact of new policies on small businesses through comprehensive [small business-focused] Business and Regulatory Impact Assessments.”⁴³

144. **The Committee seeks details of the steps the Scottish Government is taking to ensure that the devolved regulatory framework and procurement arrangements for small businesses are fair and proportionate.**

Productivity

145. According to The Productivity Institute “productivity growth in Scotland, mirroring the rest of the UK, has been very weak, registering a 1.0% annual increase in the 2008 to 2023 period”.⁴⁴ The SFC suggested that productivity growth in Scotland will be 1.3% a year until 2035-36, and 1.5% a year thereafter.¹ This mirrors the OBR’s assumptions for the UK. The Committee explored with witnesses how Scotland’s productivity could be increased to support economic growth.
146. The FAI told us that “addressing poor productivity performance, and the drag it exerts on private sector wages”, would be the most effective way to grow the tax base.¹⁴ Both the FAI and Scottish Enterprise highlighted one of the drivers of low productivity growth as low capital investment, which has stagnated in the UK for the past 20 years.,
147. Scottish Enterprise research into barriers to increasing Scotland’s productivity identifies the need to (1) invest in capital, (2) shift attitudes to risk and take a long-term view, (3) adopt a joined-up approach across Scotland and the UK, and (4) ensure availability of the “right skills”. Scottish Enterprise noted the OBR’s baseline

assumption that a permanent 1% increase in public investment increases output by 2.4% in the long term, along with Resolution Foundation analysis that this level of investment would raise GDP by around 4.9%.⁴⁰

148. We also heard from Scottish Enterprise that while strong leadership is seen to enhance productivity, there is significant underinvestment in developing leadership skills particularly amongst small and medium-sized enterprises (SMEs). It also told us that SMEs are less willing than foreign investors to take on risk.²⁸ The FSB explained most SMEs “do not see approaching enterprise agencies such as Scottish Enterprise or the Scottish National Investment Bank as an option because, when they look at the Government’s strategy and priorities, the focus is on unicorns, tech scalers and high-growth companies”.²⁸ We heard from witnesses including South Lanarkshire Council that digital infrastructure can boost productivity, and that supporting research and development hubs and boosting industrial and commercial space should be priorities.⁴⁵
149. Lithuania has a significant amount of start-up businesses as well as three unicorns^v “with more breeding”, which the Lithuanian Parliament’s Committee on Economics suggested “is a huge achievement in a small country”. Following Brexit, the country positioned itself as “the gateway to the EU” for FinTech. They also had a large talent pool after many banks left the country. The sector has been particularly successful with nearly 300 companies employing around 8000 people. Most FinTech companies in Lithuania are foreign (around 70%) but their offices and workers are based locally. Lithuanian universities are already providing FinTech and IT courses but the sector needs experience for high-value jobs and is therefore attracting workers from abroad. We heard there is a high level of worker retention in the sector.

150. The Committee requests further details of how the Scottish Government is creating the right conditions for businesses in Scotland to grow, take a long-term view, invest in capital and leadership, and change attitudes to risk, which we heard are key barriers to productivity growth.

151. We also seek more information on how high-value businesses, such as in the FinTech sector, are being supported to ‘scale up’ including into unicorns.

Labour market data

152. The Committee previously expressed concern regarding the reliability of data from the Office for National Statistics (ONS) Labour Force Survey (LFS) which informs forecasts affecting the Scottish Budget. We explored this issue further during pre-budget scrutiny.

^v A unicorn is a private start-up business worth more than \$1 billion.

153. The SFC told us that the LFS should provide “really rich data” on employment, unemployment, and the drivers for economic inactivity, however, “the problem at the moment is that the data is just not fit for purpose, [and] we cannot trust it”. It went on to note that “policymaking depends on really good data and the statistics around it” but “when the data becomes something that we genuinely do not believe, we are flying blind to an extent”.¹⁹ We also heard from the FAI that “the labour market statistics situation is a real worry” as “we can know a bit from the real-time information from HMRC, but that is not a complete data set”. The FAI suggested, “it is an area where people are driving without all the directions and with some of the windscreen obstructed”.²⁸
154. We heard that the SFC has moved to using real-time information data from HMRC to inform its forecasts for tax revenues, as the LFS data at Scotland level “has been hard to use for a long time”, while the OBR continues to use LFS data. The SFC explained therefore “we are not comparing like with like” and this “creates a challenge in understanding how well we are performing in forecasting”. The SFC also made a broader point, that this unreliability in data can erode trust in the evidence and statistics that inform policymaking.¹⁹
155. The SFC is currently working with the University of Strathclyde to move towards ‘nowcasting’, which it said would “give us much more sophisticated measures that can help us to track how the economy is doing in the near term”.¹⁹
156. During our fact-finding visit in September, we heard that the State Data Agency in Lithuania uses a range of methods to gather data, including supplementing administrative data through telephone, internet, and face-to-face interviews. The organisation provides incentives to respondents participating in statistical surveys on a voluntary basis. Labour force survey response rates in Lithuania sit at broadly 75%. This compares to recent response rates to the ONS Labour Force Survey of around 20%.

157. The Committee remains concerned at the lack of reliable labour force data from the ONS which impacts on the Scottish Budget and means the Scottish Government is unable to carry out evidence-informed policymaking on the labour market in Scotland. This issue has persisted for far too long. We therefore ask the Scottish Government to make representations to the UK Statistics Agency with a view to resolving this issue as early as possible.

158. We urge the Scottish Government to explore with the FAI and SFC the potential for ‘nowcasting’ on the economy to fill this vacuum and support evidence-based decisions on the labour market in future.

Capital budget

Approach and priorities

159. In relation to the Scottish Government's capital budget, the 2025 MTFS states that—
- The 4.3% real-terms reduction in the UK capital block grant over the period 2022-23 to 2024-25 led to changes to delivery timescales for some projects in the 2024 Infrastructure Investment Plan (IIP) and an increase in backlog maintenance.
 - The increase to the block grant in the 2025-26 Scottish Budget “only restored funding to 2023-24 levels in real terms and was insufficient to meet all our infrastructure needs”.
 - The capital block grant is expected to remain broadly flat at around £6.65 billion between 2026-27 and 2029-30, a 1.1% decrease in real terms over this period. However, “when accounting for the Scottish Government's capital borrowing policy and one-off-nature of ScotWind revenues, our overall CDEL budget is forecast to fall by 9.3% over the same period”.
 - The Scottish Government's capital spending is forecast to exceed its available budget by £1.1 billion in 2026-27, rising to £2.1 billion in 2029-30 without further action.²
160. The FSDP does not include actions “to set the capital programme on a sustainable path [...] because [...] the Scottish Government will publish a new IIP [in January 2026...] which will be informed by the multi-year capital allocations underpinning the Scottish Spending Review”.⁵ An IIP pipeline is being published at the same time.
161. As noted earlier in this report, the Committee has expressed its ongoing concerns regarding repeated delays to the refreshed IIP pipeline originally expected in December 2023. During pre-budget scrutiny, the Committee explored the implications of capital budget trends, witnesses' priorities for capital expenditure, and options that might be available to the Scottish Government to maximise spending potential.
162. The SFC explained that there will be “a huge boost to capital spending in 2025-26, but it will tail off so that it becomes largely flat in cash terms and then it will start to fall in real terms”. It noted that the challenge in “having big, lumpy injections of capital that needs to be spent quickly in relatively short time periods [...] is that you end up driving up prices in a lot of the investment that you are doing”. It also highlighted, while the Scottish Government has some levers to smooth out this type of spending, gradual capital growth is more efficient.¹⁹
163. Audit Scotland suggested that the Scottish Government should produce clear information that explains how it has decided to prioritise, delay or cancel projects in the IIP and as part of decisions it makes over the medium term as the capital budget changes.¹⁷ Both Audit Scotland and the FAI also noted that a systematic prioritisation exercise should be taking place, recognising that shovel-ready projects aligned to the Government's priorities and the benefits it wishes to achieve could be

started quickly and potentially deliver most impact. ²⁸

164. Other witnesses spoke about their priorities for capital funding. This included housing, which the SFHA argued is “a massive enabler of economic growth”, and “is something that has probably been underappreciated, especially in certain parts of the country where there is a real lack of affordable housing”. The SFHA argued in its submission that “a crucial part of adapting to an ageing population will be ensuring that homes are accessible to people’s needs to help them live well and independently, and that the right conditions are in place to provide specialist housing to those who need it”. It also advocates a focus on technology-enabled care. ⁴⁶
165. COSLA, SOLACE and the Directors of Finance also called for housing to be prioritised for capital expenditure, as well as critical infrastructure, noting that these drive economic growth and contribute to other national priorities like reducing child poverty and homelessness, and tackling climate change. ⁴⁷ The FAI suggested that capital spending should be focused on those areas where the market is likely to ‘underprovide’. ¹⁴ Examples include infrastructure spending like road and rail connections, and housing. As noted above, investment in skills is another important area, as businesses have lowered their investment over time. The STUC argued that, as well as prioritising social housing, decarbonising the economy should also benefit from capital spend. ³¹

166. The Committee asks the Scottish Government to set out as part of its long-awaited Infrastructure Investment Plan and pipeline, which we have been requesting for the last two years, what steps it will take to smooth out the “lumpy” capital budget over time.

167. We also agree with Audit Scotland and the FAI that the Scottish Government should, where possible, focus its plans on shovel-ready projects based around its priorities.

Other sources of funding

168. The Cabinet Secretary for FLG said she is disappointed that the Scottish block grant is “declining compared to that in UK Government departments”, adding “the overall direction of capital is disappointing, to say the least”. She explained that the Scottish Government is therefore “very exercised at the moment about how we can expand the capital envelope through other means”. ²⁷
169. She highlighted opportunities including ‘outcomes-based funding’ through individual local authorities, such as the Granton housing project in Edinburgh, and strategic use of the local government pension fund (which is valued at around £67 billion). In relation to bonds, the Scottish Government is continuing with the due diligence process set out in the 2025-26 Scottish Budget and has committed to providing further updates as that work progresses. ²⁷

170. For housing, the Scottish Government is leveraging in private sector investment in mid-market rent, which the Cabinet Secretary indicates will be “a big contributor to affordable housing”.²⁷

- 171. The Committee looks forward to receiving further information on the due diligence taking place to assess options currently being considered by the Scottish Government “to expand the capital envelope”.**

Taxation

Approach to taxation

172. The third pillar of the MTFs² and FSDP⁵ is on taxation, specifically “ensuring a strategic approach to tax revenues, which considers the longer-term impact of our tax choices and competitiveness”.
173. The MTFs states that the Scottish Government’s decisions on income tax since devolution are estimated to have raised up to £1.7 billion in 2025-26 when compared to if it had implemented the same rates and bands as in the rest of the UK.² The MTFs and FSDP highlight the following two key measures that “will support fiscal sustainability—
- “Priorities to improve the operation and performance of the existing tax system – in addition to stability for Income Tax [...], key areas of focus include working with Local Government, and completing the devolution of remaining taxes
 - Future tax reform to deliver sustainable and growing tax revenues – exploring opportunities for reform and devolution of tax powers needed to continue to deliver sustainable and growing tax revenues in the future.”^{2 5}
174. The FSDP highlights specific actions under these measures. These include exploring the creation of more revenue-generating powers for local authorities, implementing new devolved taxes, reviewing the operation of existing taxes, expanding the evidence base for Scottish income tax, and strengthening its approach to Scottish tax compliance.⁵
175. The Chartered Institute of Taxation noted completing devolution of the remaining taxes is a priority for the Government but questioned whether this is supported by a cost/benefit analysis. It cited the Scottish Aggregates Tax as an example where devolution has “created additional complexity related to cross border transactions”, but that the estimated revenues to be raised by imports of aggregates into Scotland from rUK is only around £166,400.⁴⁸
176. Oxfam Scotland called for further income tax reform to make the system more proportional, and for the replacement of council tax with a Proportional Property Tax (starting with a revaluation of all domestic properties). It has also called for a wealth tax, and for local business taxes to better incentivise employers to promote fair work and emissions reductions.¹⁶
177. We also heard from the STUC that Scotland needs more tax revenue.³¹ In its publication ‘Taxing Wealth for a Fairer and Greener Scotland’, the STUC argued that “fairer taxes on wealth at UK and Scotland levels must be at the heart of this package of reforms to invest in and drive progress towards a fairer, greener and more prosperous future”.⁴⁹
178. Asked for an update on progress regarding the Air Departure Tax (ADT) and VAT assignment, given both are referred to in the MTFs, Scottish Government officials

explained that high-level principles for ADT have been published to help shape further policy developments. The Cabinet Secretary said that discussions on ADT “are progressing well [and] we will come back with a timeframe that we think is realistic”.²⁷

179. On VAT assignment, she confirmed that “it is neither our intention, nor that of the UK Government, to move forward with that because of the inability to resolve the risks”. However, “if the UK Government was to turn around tomorrow and say that it will give us responsibility over VAT full stop, that would be a very different matter”.²⁷
180. During our fact-finding visit to Lithuania, we heard about the country’s simplified approach to taxation, with income tax ranging from 26% to 32%, not dissimilar to the approach we previously explored in Estonia where there is a flat 22% tax on individual income.
181. The Cabinet Secretary for FLG acknowledged that the more people understand the tax system, the higher the compliance rates. She also recognised there is some complexity in the system, and highlighted work being carried out by the Scottish Government to raise awareness of “what the Scottish tax system is and what people’s obligations are, because we want to drive high levels of compliance with that system”. She further highlighted that the Scottish Government has provided stability on income tax levels for the remainder of this parliamentary session.²⁷

182. The Committee welcomes the Cabinet Secretary’s assurances that neither the UK Government nor Scottish Government plan to pursue VAT assignment, given the risks and complexities this could bring to the Scottish Budget.

183. We request further information on the Scottish Government’s plans to review the operation of existing taxes, including timescales.

Fiscal frameworks

184. In our recent Report on the Scottish Budget process, the Committee restated our position that there would be merit in carrying out a wider review of how the fiscal framework between the UK and Scottish governments is operating, including how adjustments based on relative growth with the rest of the UK impact on income tax revenues in Scotland.²⁶ During pre-budget 2026-27 scrutiny, we explored the specific issue of whether the fiscal framework provides sufficient flexibility to manage forecast error.
185. The reconciliation to be applied to the 2026-27 Scottish Budget has now been confirmed as +£406 million, based on outturn data for 2023-24 showing strong growth in Scottish income tax revenues which was faster than in the rest of the UK. However, the indicative reconciliation figure for the 2027-28 Scottish Budget is

estimated to be -£851 million.¹³ If confirmed, this figure would exceed Scottish Government borrowing limits for managing forecast errors under the fiscal framework. Following the updates to the fiscal framework in August 2023⁵⁰, this limit is updated by inflation annually and in 2027-28 is estimated to be £666 million. Annual inflationary increases also apply to the annual and cumulative caps on the Scotland Reserve.

186. The SFC noted that larger negative reconciliations could happen more regularly, explaining that the “huge growth in nominal income tax revenues ... means that even the slightest error matters more”. It suggested that while the Scottish Government could add more money in the Scotland Reserve to draw down to offset negative reconciliations, “the limit on the size of the Reserve has become a binding constraint, too, so there is rather limited room to adjust for these big numbers”. This, the SFC suggested, “is where constant reviewing of the fiscal framework to see how it is operating and working entirely makes sense”, adding there may be an argument for scaling the borrowing limit and the Scotland Reserve to a metric other than inflation.¹⁹
187. The FAI noted “an interesting characteristic of the fiscal framework [is] that the greater devolution of tax has caused the Scottish Government’s budget to be more linked with UK conditions rather than less, because what matters is the net position between the tax revenues raised in Scotland and the forecast for that, and the forecasts for England and Northern Ireland revenues that the OBR does”. This, it recognises, makes it more difficult for the Scottish Government to plan.²⁸
188. We also heard from the SFC that there is a tendency in Scotland to align every payment and tax with its UK equivalent. It cited the example of the Scottish Government following the UK Government’s lead in making cuts to the winter fuel payment, decisions which have since been reversed. However, it suggested that other reforms “will lead to the UK version and the Scottish equivalents getting further and further apart, which is not necessarily a bad thing if it means that we start thinking of the Scottish budget in its own right rather than always thinking about it relative to the UK budget”. The SFC added that Scotland has never been in the position where a tax that has been devolved no longer exists and discussions would need to take place on how that would work if it happened.¹⁹
189. The Cabinet Secretary for FLG told the Committee that the Scottish Government “will monitor the situation very carefully and work with the Treasury on the borrowing limit for a worst-case scenario”, adding “given the level of volatility, I suspect that the figure will change—I hope, in a positive direction—but we will work with the Treasury on contingencies”.¹⁹
190. She confirmed that the Scottish Government is pursuing with HM Treasury the potential for a more fundamental review of the fiscal framework to take place as early as possible rather than waiting until the formal review period in 2028. She further highlighted some “small improvements” that could be made more quickly, such as increased limits for borrowing and the Scotland Reserve.¹⁹
191. Asked for an update on progress regarding the planned fiscal framework with Local Government, the Cabinet Secretary for FLG indicated on 30 September that, while there was agreement on 95% of the issues under discussion, views differed

regarding rules-based budgeting. She said she had written asking councils “to agree on the 95% so that we can codify elements of the framework” ahead of discussions on the Scottish Budget 2026-27. ²⁷

192. In a subsequent joint letter copied to the Committee dated 10 October, the Cabinet Secretary for FLG and Councillor Katie Hagmann advised that the Scottish Government and COSLA have now agreed the first iteration of the fiscal framework between Scottish Government and Local Government. They stated this “sets out a statement of our collective intent for how we are working together ahead of the Scottish Budget 2026-27 and Spending Review”. The letter goes on to say that, given the framework is already being applied in practice, there will be little noticeable change in day-to-day relationships, but “it does provide a strong signal of our intent to continue to invest in the relationship between Scottish Government, COSLA and councils over the coming months”. ⁵¹

193. The Committee supports the Cabinet Secretary’s request to HM Treasury to carry out an early review of the fiscal framework, before the formal review period in 2028. This early review should consider how adjustments based on relative growth with the rest of the UK impact on income tax revenues in Scotland and whether it provides sufficient flexibility to manage forecast error.

194. We ask that lessons are learned from the August 2023 fiscal framework update, to enable the process for the next review to be as open and transparent as possible to support robust parliamentary scrutiny.

195. We welcome the recent announcement that agreement has been reached on a fiscal framework between the Scottish Government and Local Government and trust this places constructive budgetary discussions on a firm footing.

- [1] Scottish Fiscal Commission. (2025, April). Fiscal Sustainability Report. Retrieved from <https://fiscalcommission.scot/wp-content/uploads/2025/04/Publication-April-2025-Fiscal-Sustainability-Report.pdf>
- [2] Scottish Government. (2025, June). Scotland's Fiscal Outlook - Medium-Term Financial Strategy. Retrieved from <https://www.gov.scot/binaries/content/documents/govscot/publications/strategy-plan/2025/06/scotlands-fiscal-outlook-scottish-governments-medium-term-financial-strategy-3/documents/scotlands-fiscal-outlook-scottish-governments-medium-term-financial-strategy-2025/scotlands-fiscal-outlook-scottish-governments-medium-term-financial-strategy-2025/govscot%3Adocument/scotlands-fiscal-outlook-scottish-governments-medium-term-financial-strategy-2025.pdf>
- [3] BBC. (2025, October 6). Robison warns of 'difficult choices' as Scottish Budget date set. Retrieved from <https://www.bbc.co.uk/news/articles/cm28qvqr2vqo>
- [4] Office for Budget Responsibility. (2025, July). Report on Fiscal Risks and Sustainability. Retrieved from <https://obr.uk/frs/fiscal-risks-and-sustainability-july-2025/#es>
- [5] Scottish Government. (2025, June). Fiscal Sustainability Delivery Plan. Retrieved from <https://www.gov.scot/publications/scottish-governments-fiscal-sustainability-delivery-plan/>
- [6] Scottish Parliament, Finance and Public Administration Committee. (2025, June 13). Responding to long-term fiscal pressures, call for views. Retrieved from <https://yourviews.parliament.scot/finance/responding-to-long-term-fiscal-pressures/>
- [7] Scottish Parliament, Finance and Public Administration Committee. (2025, August). Published responses: Responding to long-term fiscal pressures. Retrieved from https://yourviews.parliament.scot/finance/responding-to-long-term-fiscal-pressures/consultation/published_select_respondent
- [8] Scottish Parliament, Finance and Public Administration Committee. (2025). Official Reports: Responding to long-term fiscal pressures. Retrieved from <https://www.parliament.scot/chamber-and-committees/committees/current-and-previous-committees/session-6-finance-and-public-administration-committee>
- [9] Scottish Parliament, Finance and Public Administration Committee. (2025). Responding to long-term fiscal pressures. Retrieved from <https://www.parliament.scot/chamber-and-committees/committees/current-and-previous-committees/session-6-finance-and-public-administration-committee/business-items/pre-budget-scrutiny-2026-27>
- [10] Scottish Government. (2025, June). Public Service Reform Strategy: Delivering for Scotland. Retrieved from <https://www.gov.scot/publications/scotlands-public-service-reform-strategy-delivering-scotland/>
- [11] Scottish Fiscal Commission. (2025, May). Scotland's Economic and Fiscal Forecasts - May 2025. Retrieved from <https://fiscalcommission.scot/publications/scotlands-economic-and-fiscal-forecasts-may-2025/>
- [12] Scottish Fiscal Commission. (2025). Scotland's Economic and Fiscal Forecasts Update - June 2025. Retrieved from <https://fiscalcommission.scot/publications/scotlands-economic-and-fiscal-forecasts-update-june-2025/>

- [13] Scottish Fiscal Commission. (2025). Fiscal Update, August 2025. Retrieved from <https://fiscalcommission.scot/wp-content/uploads/2025/08/Fiscal-Update-August-2025.pdf>
- [14] Scottish Parliament, Finance and Public Administration Committee. (2025). Fraser of Allander Institute, Written submission. Retrieved from https://yourviews.parliament.scot/finance/responding-to-long-term-fiscal-pressures/consultation/view_respondent?show_all_questions=0&sort=submitted&order=ascending&q__text=Fraser&uuld=1031111992
- [15] Scottish Parliament, Finance and Public Administration Committee. (2025, August). Scottish Women's Budget Group, Written submission. Retrieved from https://yourviews.parliament.scot/finance/responding-to-long-term-fiscal-pressures/consultation/view_respondent?show_all_questions=0&sort=submitted&order=ascending&q__text=Scottish+Women&uuld=310608324
- [16] Scottish Parliament, Finance and Public Administration Committee. (2025, August). Oxfam Scotland, Written submission. Retrieved from https://yourviews.parliament.scot/finance/responding-to-long-term-fiscal-pressures/consultation/view_respondent?show_all_questions=0&sort=submitted&order=ascending&q__text=Oxfam&uuld=120811385
- [17] Scottish Parliament, Finance and Public Administration Committee. (2025, August). Audit Scotland, Written submission. Retrieved from https://yourviews.parliament.scot/finance/responding-to-long-term-fiscal-pressures/consultation/view_respondent?show_all_questions=0&sort=submitted&order=ascending&q__text=Audit+Scotland&uuld=121437057
- [18] Scottish Parliament, Finance and Public Administration Committee. (2025). East Ayrshire Council, Written submission. Retrieved from https://yourviews.parliament.scot/finance/responding-to-long-term-fiscal-pressures/consultation/view_respondent?show_all_questions=0&sort=submitted&order=ascending&q__text=East+&uuld=825727188
- [19] Scottish Parliament, Finance and Public Administration Committee. (2025, September 2). Official Report. Retrieved from <https://www.parliament.scot/api/sitecore/CustomMedia/OfficialReport?meetingId=16546>
- [20] Scottish Parliament, Finance and Public Administration Committee. (2025, August). Social Work Scotland, Written submission. Retrieved from [file:///C:/Users/s801047/Downloads/PreBudgetScrutiny_SocialWorkScotland_14Aug25%20\(2\).pdf](file:///C:/Users/s801047/Downloads/PreBudgetScrutiny_SocialWorkScotland_14Aug25%20(2).pdf)
- [21] Scottish Parliament. (2023, November). Finance and Public Administration Committee Report, Pre-Budget Scrutiny 2024-25: The Sustainability of Scotland's Finances. Retrieved from <https://bprcdn.parliament.scot/published/FPA/2023/11/6/015834f7-3db3-4c16-abaa-5e1fbfad73bc/FPA062023R8.pdf>
- [22] Scottish Parliament. (2024, October 29). Official Report, Fiscal Sustainability Debate. Retrieved from <https://www.parliament.scot/api/sitecore/CustomMedia/OfficialReport?meetingId=16058>

- [23] Scottish Parliament, Finance and Public Administration Committee. (2023, July 3). Report on Public Administration: Effective Scottish Government Decision-making. Retrieved from <https://sp-bpr-en-prod-cdnep.azureedge.net/published/FPA/2023/7/3/f8fd92f0-dd28-42aa-b379-3c68f3d33249/FPA062023R6.pdf>
- [24] Scottish Parliament. (2023, September 19). Response from Permanent Secretary to Report on Public Administration: Effective Scottish Government Decision-making. Retrieved from https://www.parliament.scot/-/media/files/committees/finance-and-public-administration-committee/correspondence/2023/decisionmaking_convenertopermsec_19sep23.pdf
- [25] Scottish Government. (2025, June 18). Future Trends for Scotland. Retrieved from <https://www.gov.scot/publications/future-trends-scotland-findings-2024-25-horizon-scanning-project/pages/4/>
- [26] Scottish Parliament, Finance and Public Administration Committee. (2025, June). Report on the Scottish Budget process in practice. Retrieved from <https://bprcdn.parliament.scot/published/FPA/2025/6/19/731830a0-9fa6-4046-80dc-752b7e6fa07c/FPAS062025R8.pdf>
- [27] Scottish Parliament, Finance and Public Administration Committee. (2025, September 30). Official Report. Retrieved from <https://www.parliament.scot/api/sitecore/CustomMedia/OfficialReport?meetingId=16610>
- [28] Scottish Parliament, Finance and Public Administration Committee. (2025, September 9). Official Report. Retrieved from <https://www.parliament.scot/api/sitecore/CustomMedia/OfficialReport?meetingId=16568>
- [29] Scottish Parliament, Finance and Public Administration Committee. (2025, August). Colleges Scotland, Written submission. Retrieved from https://yourviews.parliament.scot/finance/responding-to-long-term-fiscal-pressures/consultation/view_respondent?show_all_questions=0&sort=submitted&order=ascending&q__text=Colleges+Scotland&uuld=688079378
- [30] Scottish Parliament, Finance and Public Administration Committee. (2025). Pre-Budget Scrutiny 2025-26: Managing Scotland's Public Finances: A Strategic Approach. Retrieved from <https://bprcdn.parliament.scot/published/FPA/2024/11/7/7a9b9ed9-734c-4731-9864-a671799cf8a2-1/FPA062024R9.pdf>
- [31] Scottish Parliament, Finance and Public Administration Committee. (2025, August). Scottish Trades Union Congress, Written submission. Retrieved from https://yourviews.parliament.scot/finance/responding-to-long-term-fiscal-pressures/consultation/view_respondent?show_all_questions=0&sort=submitted&order=ascending&q__text=Trades&uuld=894623145
- [32] Scottish Parliament, Finance and Public Administration Committee. (2025, September 16). Official Report. Retrieved from <https://www.parliament.scot/api/sitecore/CustomMedia/OfficialReport?meetingId=16577>
- [33] Scottish Government. (2011). Christie Commission on the future delivery of public services. Retrieved from <https://www.gov.scot/publications/commission-future-delivery-public-services/> [accessed 22 2024]

- [34] Scottish Parliament. (2025, August 22). Letter from Scottish Government to Finance and Public Administration Committee on number of 'live' strategies. Retrieved from <https://www.parliament.scot/chamber-and-committees/committees/current-and-previous-committees/session-6-finance-and-public-administration-committee/correspondence/2025/scottish-government-live-strategies>
- [35] Scottish Parliament, Finance and Public Administration Committee. (2025). Scottish Council for Voluntary Organisations, Written submission. Retrieved from https://yourviews.parliament.scot/finance/responding-to-long-term-fiscal-pressures/consultation/view_respondent?show_all_questions=0&sort=submitted&order=ascending&q__text=SCVO&uuld=688362314
- [36] Scottish Government. (2024, December 4). Public Sector Pay Policy 2025-26. Retrieved from <https://www.gov.scot/publications/scottish-budget-2025-2026-public-sector-pay-policy/>
- [37] Scottish Government . (2024, December). Scottish Budget 2025-26. Retrieved from <https://www.gov.scot/publications/scottish-budget-2025-2026/pages/3/> [accessed 20 August 2025]
- [38] Scottish Parliament, Finance and Public Administration Committee. (2025, August). Public Health Scotland, Written submission. Retrieved from https://yourviews.parliament.scot/finance/responding-to-long-term-fiscal-pressures/consultation/view_respondent?show_all_questions=0&sort=submitted&order=ascending&q__text=Public+Heal&uuld=721889205
- [39] Budget Process Review Group. (2017). Final Report. Retrieved from <https://www.gov.scot/binaries/content/documents/govscot/publications/corporate-report/2017/06/budget-process-review-group-final-report/documents/budget-process-review-group-final-report-pdf/budget-process-review-group-final-report-pdf/govscot%3Adocument/Budget%2BProcess%2BReview%2BGroup%2B-%2Bfinal%2Breport.pdf>
- [40] Scottish Parliament, Finance and Public Administration Committee. (2025, August). Scottish Enterprise, Written submission. Retrieved from https://yourviews.parliament.scot/finance/responding-to-long-term-fiscal-pressures/consultation/view_respondent?show_all_questions=0&sort=submitted&order=ascending&q__text=Scottish+Ente&uuld=476436729
- [41] Scottish Parliament, Finance and Public Administration Committee. (2025). Registers of Scotland, Written submission. Retrieved from https://yourviews.parliament.scot/finance/responding-to-long-term-fiscal-pressures/consultation/view_respondent?show_all_questions=0&sort=submitted&order=ascending&q__text=Registers&uuld=215381922
- [42] Scottish Parliament, Finance and Public Administration Committee. (2025). Universities Scotland, Written submission. Retrieved from https://yourviews.parliament.scot/finance/responding-to-long-term-fiscal-pressures/consultation/view_respondent?show_all_questions=0&sort=submitted&order=ascending&q__text=Universities&uuld=433688587
- [43] Scottish Parliament, Finance and Public Administration Committee. (2025, August). Federation of Small Businesses, Written submission. Retrieved from [file:///C:/Users/s801047/Downloads/PreBudgetScrutiny_FedOfSmallBusinesses_12Aug25%20\(1\).pdf](file:///C:/Users/s801047/Downloads/PreBudgetScrutiny_FedOfSmallBusinesses_12Aug25%20(1).pdf)

- [44] The Productivity Institute. (2025). Scotland's Productivity Challenge: Exploring the issues – 2025. Retrieved from <https://www.productivity.ac.uk/wp-content/uploads/2025/01/PIP045-Scotland-Insights-Paper-January-2025.pdf>
- [45] Scottish Parliament, Finance and Public Administration Committee. (2025). South Lanarkshire Council, Written submission. Retrieved from https://yourviews.parliament.scot/finance/responding-to-long-term-fiscal-pressures/consultation/view_respondent?show_all_questions=0&sort=submitted&order=ascending&q__text=Lanark&uuld=532886902
- [46] Scottish Parliament, Finance and Public Administration Committee. (2025). Scottish Federation of Housing Associations, Written submission. Retrieved from https://yourviews.parliament.scot/finance/responding-to-long-term-fiscal-pressures/consultation/view_respondent?show_all_questions=0&sort=submitted&order=ascending&q__text=Housing&uuld=92168111
- [47] Scottish Parliament, Finance and Public Administration Committee. (2025). COSLA, SOLACE and Directors of Finance, Written submission. Retrieved from https://yourviews.parliament.scot/finance/responding-to-long-term-fiscal-pressures/consultation/view_respondent?show_all_questions=0&sort=submitted&order=ascending&q__text=COSLA&uuld=221626425
- [48] Scottish Parliament, Finance and Public Administration Committee. (2025). Chartered Institute of Taxation, Written submission. Retrieved from https://yourviews.parliament.scot/finance/responding-to-long-term-fiscal-pressures/consultation/view_respondent?show_all_questions=0&sort=submitted&order=ascending&q__text=Chartered&uuld=939984218
- [49] Scottish Trades Union Congress. (2025). Taxing Wealth for a Fairer and Greener Scotland. Retrieved from <https://taxjustice.scot/wp-content/uploads/2025/10/STUC-Taxing-Wealth-for-a-Fairer-and-Greener-Scotland.pdf>
- [50] Scottish Government. (2023, August). Fiscal Framework agreement between the Scottish and UK governments (updated). Retrieved from <https://www.gov.scot/publications/fiscal-framework-agreement-between-scottish-uk-governments/>
- [51] Scottish Parliament, Local Government, Housing and Planning Committee. (2025). Joint letter to LGHP Committee on fiscal framework between Scottish Government and Local Government. Retrieved from <https://www.parliament.scot/-/media/files/committees/local-gov/correspondence/2025/fiscal-framework-between-scottish-government-and-local-government.pdf>

