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## Finance and Public Administration Committee

# Subordinate Legislation: The Budget (Scotland) Act 2024 Amendment Regulations 2025 [draft]



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# 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.



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# Introduction

1. At its 8th meeting on 4 March 2025, the Finance and Public Administration Committee (“the Committee”) took evidence from the Minister for Public Finance on—  
  
    [The Budget \(Scotland\) Act 2024 Amendment Regulations 2025 \[draft\]](#) (“the Regulations”).
2. This instrument is subject to the affirmative procedure, which means it is for the Committee to recommend to the Parliament whether the draft regulations should be approved.
3. During its scrutiny of the Regulations, the Committee also considered the content of [The Budget \(Scotland\) Act: Spring Budget Revision 2024-25 Supporting Document](#), which provides additional information regarding the revised spending plans for which the Scottish Government is seeking Parliamentary approval.
4. The Scottish Government also provided a detailed Guide to the Spring Budget Revision, and the Scottish Parliament Information Centre’s Financial Scrutiny Unit produced a briefing to support the Committee’s scrutiny of the Regulations. These documents were published as part of the meeting papers for [4 March 2025](#).

# The Regulations

5. The Regulations were laid on 30 January 2025. The purpose of the Regulations is to make in-year changes to [The Budget Scotland Act 2024](#), which authorised the Scottish Government's spending plans for the current financial year.
6. In total, the changes proposed in the Spring Budget Revision (SBR) will increase the 2024-25 Scottish Budget by £863.1 million, from £60,449.0 million to £61,312.1 million.
7. The SBR supporting document states that the main changes to the Scottish Government's spending plans are as follows—
  - Funding changes to reflect deployment of available resources to portfolios (total net increase to the budget of £971.3 million).
  - Technical adjustments including International Financial Reporting Standard 16 (IFRS 16) (net decrease to the budget of £83.1 million).
  - Whitehall Transfers and HM Treasury allocations to the Scottish Government (a decrease of £25.1 million).
  - The transfer of resources between Scottish Government portfolios.

# Delegated Powers and Law Reform Committee consideration

8. The Delegated Powers and Law Reform (DPLR) Committee considered the instrument on [18 February 2025](#) and reported on it in its [11<sup>th</sup> Report, 2025](#). The DPLR Committee made no recommendations in relation to the instrument.

# Finance and Public Administration Committee consideration

9. On 4 March 2025, the Committee took evidence on the draft Regulations from the Minister for Public Finance and supporting officials. During evidence, the Committee asked a number of questions of the Minister, the responses to which can be found in the [Official Report](#).
10. In his opening statement to the Committee, the Minister stated that the Scottish Government has managed to balance its budget for 2024-25 through “savings and spend controls, improvements in block grant adjustments, a more favourable net tax position, incorporation of consequential received in the United Kingdom autumn budget and other sources of funding.”

## Contingency funding

11. In his opening statement, the Minister also stated that—
  - ” £350 million of funding is being held in the finance and local government portfolio as contingency against year-end audit adjustments, movement in demand-led programmes and tax receipts, and a £60 million carry-forward to support the 2025-26 health budget.
12. The Minister explained that holding the £350 million of contingency funding centrally will allow the Scottish Government flexibility to allocate funds to areas in which it sees additional demand arise towards the end of the year. He added that any unspent money from this contingency fund can be carried forward to the following year’s budget through the Scotland Reserve.
13. The Committee asked the Minister why the contingency funding had been placed in the Finance and Local Government portfolio, as opposed to another portfolio. The Minister responded that the Scottish Government—
  - ” could make guesses about what might impact different portfolios and allocate accordingly, but that would not really help because, if it did not turn out that way for specific portfolios, we would be moving money back in and then moving it back out again.
14. The Guide to the SBR explains that, of the £350 million contingency, £150-200 million is held as contingency for year-end audit adjustments. The Committee asked the Minister why a more precise figure had not been provided. The Minister responded that the Scottish Government does not yet know what the year-end audit adjustments will be, and that, alongside other potential variables impacting the budget position, it estimates that the overall £350 million of contingency funding is sufficient to cover the variables.
15. The Committee asked the Minister whether, if the £350 million contingency not be required and if there is underspend elsewhere, there is a risk that the Scotland Reserve limit will be reached. Officials responded that the limit is not expected to be breached, and noted that—

” The reserve limit now increases in line with inflation, but it is still shrinking as a percentage of our overall budget, and we are juggling a lot of volatility. It is fair to say that there are a lot of risks, which is why we have the £350 million reserve—we have to manage the potential for negative movements in forecasts.

16. The Minister was also asked whether the Scottish Government expects to include this contingency funding again in the 2025-26 budget and responded that “it might make sense to repeat the process as we move into the next financial year”.

17. Officials added that, though the contingency fund being held centrally within the finance and local government portfolio is a slight change from previous years, the year-end contingency “is not new”. They stated that—

” budgets are being managed more tightly this year. We have tried to reflect the budget allocations for individual programme budgets as accurately as possible, rather than have more capacity in individual budget lines.

## Resource funding

18. The Committee asked the Minister about funding changes in the social justice portfolio, noting that, of the additional £117.8 million allocated to the portfolio, over half is to support child disability payments. The Minister responded that forecasts are used to predict the uptake of demand-led benefits, and that “there will be variation in that as we move through, and work will be done to refine the forecasts.” Additionally, the Minister noted that—

” many of the benefits are relatively new, so working through the data and getting more accurate forecasts as we go are important parts of that process.

19. The Committee also asked the Minister for further detail about the additional £28.6 million of funding allocated to the Scottish Qualifications Authority (SQA). The Minister explained that the additional funding is associated with the running costs of the SQA. Officials noted that the additional funding is a significant increase to the SQA’s baseline budget, and the Minister stated that, as similar allocations have been seen in previous years, “there is some work to be done to understand the cost profile and how much we are budgeting for that.”

## Public inquiries

20. The Committee asked the Minister several questions regarding costs associated with public inquiries, including legal costs and controls in place to limit costs. The Minister stated that—

” the inquiries are independent and the cost base is driven by the activities that are undertaken by each inquiry. ... the Government’s position is that we respond to the costs that are incurred by the inquiry.

21. In response to a question on whether the Scottish Government has factored the costs of public inquiries into its work on public sector reform, the Minister responded

that—

” the inquiries are given independence to operate, and we are less focused on them than on other areas in which we may be able to drive more immediate results.

22. The Minister went on to state that—

” It will be harder to identify soft costs such as staff time and so on, but I absolutely think that it will be worth doing. Moreover, quite a lot of time and resource will be spent—perhaps rightly so—on preparing for inquiries. In the interest of transparency, we should seek to look at those numbers

## Capital funding

23. Noting the £13.9 million of capital savings in the net zero and energy budget, the Committee asked the Minister whether the Scottish Government intends to restore this funding. The Minister responded that, as capital projects are multi-year, budgets are allocated on this basis, but that there may be instances in which projects do not proceed as intended, resulting in slippage. He stated that the expectation is that, for “projects on which there has been slippage, that money will go back out as part of the allocation for 2025-26.”

24. The Minister was also asked whether, in instances where there is slippage on capital projects, there is scope for the Scottish Government to make reallocations earlier in the year to advance other projects and optimise the use of capital money. The Minister responded that—

” work is being done on that, but ... If there is slippage on a big project, which is where the bulk of the money goes, you will need another big project that might or might not be moving faster. All of that gets balanced at that level, and then we make the calculation based on what the capital borrowing will be and what the capital budget is for the following year to ensure that those projects continue.

## City deal projects

25. In response to a request from the Committee for an update on progress towards the delivery of city deal projects, the Minister stated that—

” The nature of the programmes is that they are funded by the UK and Scottish Governments, so we need to work together on them. If there is slippage in those programmes, we work with the UK Government to reprofile that funding. Clearly, that funding is not coming in, because it is not going out to those projects as a result of slippage.

26. Officials confirmed that the city deal funding will return in future years, but that this will be in line with the “revised profile” agreed for the programme.

## Discretionary funding

27. Questions were also asked about the impact on discretionary funding of the International Financial Reporting Standard 16 (IFRS 16) changes outlined in the SBR supporting document. Officials explained that—
- ” It has cost us £8.9 million in resource and £40.2 million in capital, and the Treasury would not accept the full revised position. The cabinet secretary has raised the issue with the Chief Secretary to the Treasury many times, but we have not been able to secure that funding. The original principles of the arrangement were that the Treasury would provide ring-fenced budget cover such that the change should be budget neutral for departments, but clearly that has not happened.
28. Officials further confirmed that, going into 2025-26, IFRS 16 now forms part of the capital budget, so a standard type of Barnett arrangement is being moved to. Officials went on to explain that “discussions are still taking place about exactly how that transition has worked and about the level of budget cover that should be baselined into our budget as we move into 2025-26 and beyond.”
29. In evidence, the Minister committed to provide the Committee with follow-up on a number of areas, including—
- funding changes in the social security portfolio;
  - costs associated with the Scottish Prison Service’s public-private partnership;
  - additional funding allocated to the Scottish Qualifications Authority;
  - the reprofiling of city deal funding;
  - funding changes for capital projects including Baird Family Hospital, Parkhead Health and Social Care Centre and the ANCHOR Cancer Centre;
  - funding reductions for bus services;
  - timescales for ScotWind funding to be allocated to projects;
  - costs and savings associated with changes to the Scottish Government’s contingent workforce and senior civil service workforce; and
  - costs associated with public inquiries.

**30. The Committee looks forward to receiving the additional detail on the above issues as requested in due course.**

## Conclusion

31. Following evidence, the Minister for Public Finance moved motion S6M-16306—

That the Finance and Public Administration Committee recommends that the Budget (Scotland) Act 2024 Amendment Regulations 2025 [draft] be approved.

**32. Motion S6M-16306 was agreed to without division. The Finance and Public Administration Committee therefore recommends that the Budget (Scotland) Act 2024 Amendment Regulations 2025 [draft] be approved.**

