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## Finance and Public Administration Committee

# Annual Report of the Finance and Public Administration Committee 2025-26



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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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# Committee Membership



**Convener**  
**Kenneth Gibson**  
Scottish National Party



**Deputy Convener**  
**Michael Marra**  
Scottish Labour



**Patrick Harvie**  
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. This report provides a summary of the key activities undertaken by the Finance and Public Administration Committee during the parliamentary year from 13 May 2025 to 8 April 2026.
2. This is the Committee's fifth and final annual report since its establishment in June 2021. In addition to examining Scotland's public finances, the Committee's remit includes scrutiny of public administration in Scotland, public service reform and the National Performance Framework.
3. Full details of our work, including copies of Committee papers and reports can be found on the [Committee's webpage](#).

## Membership Changes

4. There was one change in Committee membership during the Parliamentary year: Ross Greer left the Committee on 17 December 2025 and was replaced by Patrick Harvie.

## **Committee meetings**

5. During the reporting period, the Committee met 31 times. Of these, 8 meetings were entirely in public, 2 were entirely in private and 21 included a mixture of public and private items.

# Scrutiny of Legislation and the Scottish Budget

## Pre-Budget Scrutiny 2026-27: Responding to long-term fiscal pressures

6. The Committee's pre-budget scrutiny for 2026-27 focussed on the Scottish Government's plans for responding to long-term fiscal pressures. This built on our findings over successive years suggesting a lack of strategic financial planning in the Scottish Government.
7. Throughout this session key documents have been published late by the Scottish Government. This year, the Medium-Term Financial Strategy (MTFS), the Fiscal Sustainability Delivery Plan (FSDP) and the Scottish Budget have all been published late due to the timing of UK fiscal events. This hindered parliamentary scrutiny.
8. The MTFS and the FSDP are intended to bring together the key actions that the Scottish Government is taking to deliver its fiscal strategy over the next five years. We have concluded that the two documents do not set out a credible plan based on which the Scottish Government can deliver its priorities.
9. We continue to ask the Scottish Government to place much greater emphasis on longer-term financial planning to respond to the 50-year projections produced by the Scottish Fiscal Commission (SFC) to ensure fiscal sustainability.
10. In addition to gathering written and oral evidence, the Committee held two fact-finding visits this year: to the Advanced Manufacturing Innovation District Scotland (AMIDS) in Paisley, and to Lithuania where it heard more about Lithuania's futures-thinking approach and policies on economic growth.

### Case study: fact-finding visit to Lithuania

11. The Committee visited Vilnius, Lithuania, between 22-25 September 2025. The purpose of the visit was to inform the Committee's pre-budget 2026-27 scrutiny and its consideration of legacy issues.
12. The Committee was particularly impressed by Lithuania's collective approach to developing Lithuania 2050, the country's long-term strategic vision. This approach involved representatives from all political parties as well as experts, civil society, and over 2,500 citizens, with scrutiny and monitoring of progress carried out by a parliamentary committee.
13. The Committee believes that a similar model has the scope to be more impactful than Scotland's National Performance Framework and therefore welcomed the Cabinet Secretary's willingness to consider the Lithuanian futures model in more detail. This may be an issue we return to in our legacy report.
14. Lithuania has experienced rapid growth in its FinTech industry, tripling the number

of FinTech firms in recent years. According to Emerging Europe <sup>1</sup>, the Lithuanian Government's streamlined regulatory environment and efforts to attract foreign and domestic start-ups have established Vilnius as a major regional hub for innovative digital finance.

15. We met with the FinTech Hub Lithuania and other representatives to learn more about the policies, regulatory framework, talent strategies, and wider economic reforms underpinning Lithuania's FinTech and economic success.
16. The evidence gathered during the visit, including insights into long-term strategic planning, evidence-based decision-making, demographic policy, digital innovation, and economic development informed the Committee's overall approach to and report on pre-budget scrutiny for 2026-27. We also published a separate detailed report on the visit <sup>2</sup> including findings and recommendations on 29 October 2025.

### Meeting with the Lithuanian National Audit Office and Budget Monitoring Department



Source: Finance and Public Administration Committee - Report on fact-finding visit to Lithuania, 22-25 September 2025

## Scrutiny of the Scottish Budget 2026-27

17. The Scottish Budget was published on 13 January 2026, much later than usual. The late publication resulted in an unacceptably short timeframe available for parliamentary scrutiny and was a direct consequence of a late UK Budget. The Committee has therefore called on the UK Government "to give much greater

regard to devolved budgets when setting the timing of future fiscal events”.

18. The Committee’s scrutiny of the Scottish Budget 2026-27 was informed by written and oral evidence and built on the themes covered in our Pre-Budget Report.
19. The SFC forecasts that the total funding available for the Scottish Government will amount to £61,677 million in 2026-27, an increase of 1.3% relative to 2025-26 in real terms.
20. The Committee heard strong evidence to suggest that the level of fiscal flexibilities in the fiscal framework between the Scottish and the UK Governments should be revisited due to the increased level of risk arising to the Scottish Budget as a result of the increased devolution of fiscal powers.
21. In response to the Committee’s Budget 2026-27 recommendations, the Scottish Government has agreed to—
  - Work with the UK Government to address anomalies arising from how Scottish income tax rates interact with UK national insurance and personal allowance policies.
  - Pursue a comprehensive review of the fiscal framework.
  - Make further improvements to the way in which financial information is presented in the Budget to make clear what element of funding is ‘new money’.
22. As part of its scrutiny of the Scottish Budget, the Committee also received evidence on the Scottish Parliamentary Corporate Body’s budget bid for 2026-27 and welcomed the more detailed information the SPCB now provides for scrutiny.

## **The Scottish Spending Review and the Infrastructure Delivery Pipeline 2026**

23. Alongside the Scottish Budget, the Scottish Government published two additional documents: the Scottish Spending Review (SSR) and the Infrastructure Delivery Pipeline (IDP).
24. The SSR sets out the Scottish Government’s indicative spending plans up to 2028-29 for resource, and up to 2029-30 for capital. The IDP outlines the infrastructure projects and programmes the Scottish Government will fund over the next four financial years, in the face of a real terms reduction in Scotland’s capital allocation.
25. While we made some recommendations relating to the documents in our Budget report, we also held separate evidence sessions on the SSR and the IDP in February and March 2026, which provided a snapshot of how the documents were received by key sectors, public bodies and local government.

# Building Safety Levy (Scotland) Bill

26. The [Building Safety Levy \(Scotland\) Bill](#) was introduced with the aim of creating a new levy on residential construction in Scotland. Its revenues are intended to support the Scottish Government's Cladding Remediation Programme.
27. During our Stage 1 scrutiny of the Bill, the Committee heard strong views opposing the introduction of the levy, with many from the house-building and representative sectors suggesting it would have a negative impact on the Scottish housing market. Those who said they support the introduction of the Scottish Building Safety Levy noted the fiscal necessity for funds to remediate cladding defects.
28. In our Stage 1 report, the Committee expressed concerns regarding the potential for the levy to impact the housing market and the delivery of houses in areas where the viability of sites is already a problem. Considering the strong evidence that the Committee has received on its potential unintended effects, the Committee made no recommendation on the general principles of the Bill at stage 1.
29. Informed by the scrutiny undertaken by the Committee, the Bill was subject to the following key amendments prior to enactment—
  - The start date of the levy was delayed by one year to 1 April 2028 to give the housing industry sufficient lead time to adapt.
  - A sunset clause of 15 years was introduced to the Bill to respond to industry concerns that the levy is intended to become a permanent fixture of Scottish tax landscape.
  - The reporting requirements under the Bill have been strengthened, requiring the Scottish Government to report on the operation of the Act at least every three years.
  - The levy-free allowance was increased to 29 units, to protect small and medium-sized developers and rural sites.

# Scrutiny of Financial Memorandums

30. Each Bill introduced in the Parliament must be accompanied by a Financial Memorandum (FM) setting out the estimated financial implications of the legislation. The Committee is responsible for scrutinising each FM and reporting our findings to the lead committee.
31. Building on our work from previous years, the Committee has continued to scrutinise the quality of information and assumptions in FMs, including the extent to which these provide best estimates for costs and savings arising from Bills.
32. During this reporting period, the Committee issued call for views on 18 FMs. This enabled the Committee to build an evidence base on the cost estimates relating to Bills that could then be passed on to the lead committee to pursue in evidence with the Scottish Government and, in the case of Members' Bills, the Member in charge.

# Scottish Statutory Instruments

33. The Committee considered and reported on the following Scottish Statutory Instruments (all laid under the affirmative procedure) during the reporting period—
- The Scottish Aggregates Tax (Miscellaneous Amendment) Regulations 2026
  - The Scottish Landfill Tax (Standard Rate and Lower Rate) Order 2026
  - The Budget (Scotland) Act 2025 Amendment Regulations 2026 [draft] – Spring Budget Revision
  - The Scottish Aggregates Tax (Applicable Rate of Tax) Regulations 2026 [draft]
  - Land and Buildings Transaction Tax (Co-ownership Authorised Contractual Schemes) (Scotland) Regulations 2026 [draft]
  - Land and Buildings Transaction Tax (Investment Zones Relief) (Scotland) Order 2026 [draft]
  - The Budget (Scotland) Act 2025 Amendment Regulations 2025 [draft]
  - Scottish Aggregates Tax (Administration) Regulations 2025 [draft]
  - Revenue Scotland and Tax Powers Act (Postponement of Tax Pending a Review or Appeal) Amendment Regulations 2025 [draft]
  - Revenue Scotland and Tax Powers Act (Record Keeping) Amendment Regulations 2025 [draft]
34. The Committee also considered a number of negative instruments, primarily relating to commencement of the Scottish Aggregates Tax in April 2026.

# Legislative Consent Memorandums

35. The Committee considered and reported on the following Legislative Consent Memorandum—

- Finance (No.2) Bill (UK Parliament legislation)

# Inquiries

## The Scottish Budget process in practice

36. This inquiry looked at how the Scottish budget process has worked in practice during this parliamentary session. The Scottish budget process has the following four core objectives—
- to have greater influence on the formulation of the Scottish Government’s budget proposals,
  - to improve transparency and raise public understanding and awareness of the budget,
  - to respond effectively to new fiscal and wider policy challenges, and
  - to lead to better outputs and outcomes as measured against benchmarks and stated objectives.
37. The Committee concluded in this inquiry report that “while the Scottish budget process and its building blocks remain fit-for-purpose, the way in which it has operated in practice this session has been far from ideal, and improvements are now needed”.
38. The Committee’s recommendations focussed on the following areas—
- Better data, more transparency including full alignment with the Autumn Budget revisions, and more timely documents,
  - Better fiscal strategies and medium-term planning,
  - Improved public and parliamentary understanding of fiscal issues,
  - More meaningful engagement and influence for stakeholders,
  - Structural reforms including improvements to the Scottish Spending Review, consideration of the benefits of an annual finance bill, and the creation of a committee for the future.
39. In response to the Committee’s recommendations, the Scottish Government has agreed to—
- Reflect on how it can improve the provision of data to increase transparency
  - Work with the SFC in order to implement the OECD recommendation that the SFC should broaden and deepen its spending analysis.
  - Pilot a “fuller zero-based budgeting approach” once it has the right data and systems in place.
  - Consider with the relevant stakeholders “a broad review” of their data needs.

## Cost-effectiveness of Scottish Public Inquiries

40. The Committee examined the current framework for public inquiries in Scotland to understand whether they deliver value for money, to identify examples of good practice, and potential alternatives to the Scottish inquiry model.
41. In addition to running a call for views, we held 10 oral evidence sessions, as well as two informal engagement sessions. We heard from stakeholders from the UK, Sweden, Australia and New Zealand.
42. In our report, we concluded that statutory public inquiries “remain a vital mechanism for investigating matters of significant public concern”, however, we found the current system to be overstretched and poorly defined.
43. The Committee made recommendations to the Scottish Government designed to strike a balance between allowing flexibility to meet the unique circumstances of individual public inquiries, while strengthening financial control and promoting fiscal sustainability.
44. In response to our report, the Scottish Government has agreed to strengthen guidance on the establishment and running of public inquiries and consider ways to make the decision-making process more open and transparent.
45. The Committee is, however, disappointed that the Scottish Government’s response did not commit to implementing defined budgets and timescales at the outset of public inquiries, as recommended in our report. That said, we are encouraged by the Deputy First Minister’s comments in our debate on the report that “there are routes to implementing all the committee’s recommendations”.

## Annual scrutiny sessions

46. The Committee held evidence sessions with Revenue Scotland and with the SFC on how they are fulfilling their functions. These bodies sit within the Committee's remit and are directly accountable to the Parliament. The Committee scrutinised their annual reports and accounts as well as wider governance issues.
47. As part of the Committee's public administration remit, we also hear annually from the Permanent Secretary to the Scottish Government. During this reporting period the Committee heard from the Permanent Secretary on two occasions (24 June 2025 and 10 March 2026).

## Equalities and Engagement

48. Issues relating to equal opportunities continue to be a key feature of the Committee's work, including in our budget scrutiny. Our Guidance for Committees on the Budget Process includes a section that aims to embed equalities in the budget scrutiny performed by subject committees.
49. During our scrutiny of the Scottish Budget, we heard from Scotland's five National Performing Companies (NPCs), including on their efforts to ensure that their services are affordable and available across the whole of Scotland. We asked the Scottish Government to provide further clarification on why the NPCs have not been provided with an uplift in funding, given that they are providing demonstrable economic, wellbeing and social impacts.

# Appointments to the Scottish Fiscal Commission

50. The Committee has recommended to the Scottish Parliament the reappointment of the SFC's chair, Professor Graeme Roy, for a second four-year term. We believe that Professor Roy has played a valuable role over the last four years in supporting the Committee and parliamentary scrutiny over fiscal and economic matters.
51. The Committee was also pleased to recommend to the Scottish Parliament the appointment of two new SFC commissioners, Dr Eleanor Ryan and Justine Riccomini.

# Scrutiny of the Scottish Public Pensions Agency

52. Key milestones for delivering the McCloud remedy were missed by the Scottish Public Pensions Agency (SPPA). Significant concerns around this issue and the impact it is having on those affected, prompted the Committee to conduct focussed scrutiny of the SPPA's progress and delivery of the McCloud remedy.
53. The Committee has exchanged correspondence with the SPPA Chief Executive and Minister for Public Finance, as well as hearing from the SPPA on two occasions, 2 December 2025 and 17 March 2026.

- [1] Economy in focus: Lithuania. (2025). Retrieved from <https://emerging-europe.com/analysis/economy-in-focus-lithuania-3/>
- [2] Finance and Public Administration Committee . (2025). Report on fact-finding visit to Lithuania, 22-25 September 2025. Retrieved from [https://www.parliament.scot/-/media/files/committees/finance-and-public-administration-committee/prebudgetscrutiny\\_reportonfactfindingvisit\\_29oct25.pdf](https://www.parliament.scot/-/media/files/committees/finance-and-public-administration-committee/prebudgetscrutiny_reportonfactfindingvisit_29oct25.pdf)



