

**Finance and Public Administration Committee**  
**13th Meeting, Session 6**  
**Tuesday, 22 April 2025**

## **Inquiry into the Scottish Budget process in practice**

### **Purpose**

1. The Committee is invited to take evidence from the following two panels of witnesses in relation to the Committee's inquiry into the Scottish Budget process in practice—

#### **Panel 1**

- Tom Josephs, member of the Budget Responsibility Committee, and
- Laura Gardiner, Acting Chief of Staff, Office for Budget Responsibility.

#### **Panel 2**

- Professor Mairi Spowage, Director, Fraser of Allander Institute, and
- Professor David Bell, Professor of Economics, University of Stirling.

2. To inform the inquiry, a summary of responses (Annexe A) has been produced, along with a SPICe briefing setting out how key aspects of the budget process have operated this session, including when relevant documents were published and the time available for their scrutiny (Annexe B).

### **Inquiry remit and approach**

3. The Committee agreed on 4 February 2025 to carry out a short, focussed [inquiry into how the Scottish budget process has worked in practice this parliamentary session](#), with the following remit—
  - to establish the extent to which the four core objectives<sup>1</sup> for the budget process are being met,
  - to identify any barriers to meeting these core objectives and how these might be overcome,
  - to establish how key documents aimed at supporting the full-year budget process are currently being used and where improvements might be made to support effective scrutiny,
  - to determine whether the information, guidance and support provided to committees to assist them in their budget scrutiny remains adequate and fit-for-purpose, and

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<sup>1</sup> The four core objectives of the budget process are that it has led to: greater influence on formulation of the Scottish Government's budget proposals, improved transparency and increased public understanding and awareness of the budget, responded effectively to new fiscal and wider policy challenges, and led to better outputs and outcomes as measured against benchmarks and stated objectives.

- to identify any improvements that can be made to the budget process that can be put in place for Session 7 and to inform the scope of any future wider review carried out jointly by the Scottish Parliament and Scottish Government.
4. The Committee does not intend, as part of this inquiry, to revisit the four objectives or the full-year approach of the budget process, which were recommended by the [Budget Process Review Group in its 2017 report](#) and endorsed through the [Budget Process Session 6 Agreement](#) between this Committee and the Scottish Government.<sup>2</sup>
  5. The Committee ran a [call for views](#) from 12 February to 26 March 2025. It also [sought the views of other Scottish Parliamentary committees](#) on how the budget process operates from their perspective and if the support and guidance they receive could be enhanced. 32 submissions were received, including seven from committees.
  6. Evidence sessions for this inquiry began on 1 April and are due to continue throughout May. The Committee is expected to publish a report of its findings in June 2025.

## Previous evidence sessions

7. The Committee took evidence from the Scottish Fiscal Commission (SFC) at its first evidence session for this inquiry on [1 April 2025](#). The following key issues were discussed—
  - The SFC welcomed greater transparency in budgetary information, including publication of annual spending allocations by Classifications of Functions of Government (COFOG), as well as comparisons between next year's Budget and the latest spending position in the current year.
  - However, more transparency and consistency of presentation is needed, including in relation to regular in-year transfers, pay and workforce data, and climate change data.
  - It is unclear to what extent the Scottish Government's Medium-Term Financial Strategy (MTFS) informs Government decisions. Options for publishing the MTFS in election years should be explored to ensure there is no gap in medium-term outlook at the start of a five-year session.
  - There is uncertainty regarding what information the new Fiscal Sustainability Delivery Plan (FSDP) will contain or where it fits into the budget process. The SFC's view is that the FSDP should recognise long-term pressures and set out the actions the Scottish Government is taking now to start to address these.
  - While recognising the volatility in recent years, the SFC stressed the importance of carrying out regular comprehensive Scottish Spending Reviews (SSRs), which provide sufficient detail rather than being 'high-level'. It was noted that the 2022 Resource Spending Review "was not

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<sup>2</sup> Any wider review would require to be carried out jointly by a successor committee and Scottish Government.

detailed enough” and that future SSRs should also reflect where additional funds would be spent if they become available and also where cuts would be made if less funding materialises.

- Challenges with engaging the public in the budget process were discussed, including that the fiscal framework can seem “intimidating”.
- The need to better understand where public money is being spent and what outcomes are being achieved as a result was also highlighted.
- Ideally, the SFC needs four to five working weeks after the UK Autumn Budget has been published to develop forecasts for the Scottish Budget.

## **Written submissions of 22 April witnesses**

### **Background**

8. Written submissions received from the three witnesses appearing at the Committee’s meeting on 22 April are attached at Annexe C. Some key issues raised in each of these submissions are summarised below.

### **Office for Budget Responsibility (OBR)**

9. In its submission to the Committee, the OBR confirms that its role in the Scottish Budget process is narrowly defined to the use of its forecasts in the calculation of Block Grant Adjustments (BGAs). Its evidence is therefore limited to covering key themes relating to the inquiry rather than answering the specific questions in the call for views which are outside its remit.
10. The OBR states that it has developed the content of key documents “with the aim of enhancing understanding of our forecasts, their accuracy, and their effects on the Scottish Budget”. Given that differences between SFC and OBR forecasts for growth in revenues can affect the overall Scottish Budget, the OBR agreed with the SFC that “we would publish a standard set of comparison tables that we update and explain alongside each new forecast”. This includes comparisons between OBR and SFC income and property taxes, as well as different economic assumptions used, such as for employment and earnings growth.
11. The OBR is currently expanding its website “to include a detailed explanation on devolved funding and the role the OBR plays in the Scottish Budget process, to increase transparency in relation to our involvement”. The submission also sets out further information on how the OBR forecasts and scrutinises department spending at UK level, including the outcomes of its review into the preparation of its March 2024 forecast for departmental expenditure limits. It further provides a summary of issues it has covered as part of its role in evaluating the long-term sustainability of the UK public finances and assessing fiscal risks, including fiscal pressures due to the ageing population, long-term pressures on health spending, and the potential fiscal impact of climate change.

## Fraser of Allander Institute (FAI)

12. The FAI's submission states that there has been an increase in transparency throughout this parliamentary session, noting that the Scottish Government now presents the Budget against the latest spending position and also presents more information on lower-level budgets and COFOG figures. It states that these improvements make it easier to analyse and compare budgets over time and improves public discourse and scrutiny. The FAI does however highlight several areas of concern, including the Scottish Government's short-term approach to budgeting and continued approach of making large in-year transfers across portfolios.
13. The FAI further states: "the MTFS appears to have the trappings of a strategic document but lacks a lot of detail that would be required for it to be a useful set of forecasts. There is no detail on how the spending projections are arrived at, and therefore it is impossible to scrutinise the priority of each and how realistic they are." Given that the MTFS is intended to address fiscal sustainability, the FAI is unclear why a Fiscal Sustainability Delivery Plan is needed. It notes that approximately half of Scottish Government spending is on pay, and states that as such "any long-term-focussed document that does not have a specific view on the size of employment and rate of growth in payroll over a number of years cannot be regarded as credible".
14. It also recommends that, in order to allow for changes in policy priorities, future spending reviews should be shorter than a Parliamentary term and should contain both a firm set of settlements and indicative future years spend that allow for longer-term planning.

## Professor David Bell

15. Professor David Bell's written submission states that external influence on the Scottish Government's budget process is limited, especially during the period between the publication of the draft budget and the passing of the budget bill. Given the compressed time period for budget scrutiny, Professor Bell suggests that a scrutiny process involving only marginal changes following publication of the draft budget may be optimal, stating that influence on budget allocations is best exercised prior to the draft budget's publication.
16. Professor Bell notes that scrutiny of the 2025-26 budget was impacted by the absence of a 2024 MTFS, which would have enabled a longer-term approach to scrutiny. Commenting more broadly on the need for a longer-term focus in budget scrutiny, Professor Bell suggests that the guidance to committees could ask committees to distinguish between short- and long-term concerns in their scrutiny reports. He also suggests, rather than focussing on increasing the amount of information provided, committees could instead request the Scottish Government provides a summary, relevant to their remit, of how it expects its budgetary decisions will influence outcomes across the National Performance Framework (NPF) and other stated priorities.

17. Professor Bell also notes that, though the three Scottish Government “missions” outlined in the budget guide clearly overlap with the First Minister’s four “core priorities”, the combination of the NPF, the missions and the priorities “may confuse committees seeking to understand how budget decisions align with apparently varied SG “priorities” and “missions”.”
18. Professor Bell’s written submission identifies four barriers to meeting the budget process’s core objectives, including (1) a lack of relevant, objective and timely data, especially in relation to measuring outcomes, (2) time pressures, (3) capacity of Members, and (4) public understanding of the budget process, which “would be enhanced if the Scottish Government itself became involved in participatory budgeting”.

## **Next steps**

19. The Committee will continue taking evidence in relation to its budget process inquiry during April and May and is expected to report its findings in June 2025.

Committee Clerking Team  
April 2025

## Annexe A

# The Scottish Budget Process in practice – summary of written responses

## 1. Background

1.1 On 12 February 2025 the Finance and Public Administration Committee launched [a call for views on how the Scottish budget process has worked in practice, during the current parliamentary session \(2021-26\)](#). The call for views closed on 26 March 2025.

1.2 This paper provides a summary of the responses received by the Committee.

1.3 The questions asked were as follows:

### **Part 1: Four objectives to the budget process**

1. To what extent have the following four objectives for the Scottish budget process been met this parliamentary session – please address each in turn:

- greater influence on formulation of the Scottish Government's budget proposals
- improved transparency and increased public understanding and awareness of the budget
- effective responses to new fiscal and wider policy challenges
- better outputs and outcomes as measured against benchmarks and stated objectives?

2. Please set out any barriers to meeting the four core objectives of the budget process and suggestions as to how these might be overcome.

### **Part 2: Medium-Term Financial Strategy (MTFS)**

The MTFS aims to focus on the longer-term sustainability of Scotland's public finances and support a strategic approach to financial planning.

The MTFS is expected to be published annually after the UK Spring Statement and at least four weeks before summer recess.

3. To what extent does the MTFS support a more strategic approach to the Scottish Government's financial planning?

4. How is the MTFS currently used by parliamentary committees and how might it be further developed to support effective scrutiny and a strategic approach to financial planning?

### **Part 3: Fiscal Sustainability Delivery Plan**

The Scottish Government said it will publish a Fiscal Sustainability Delivery Plan alongside the MTFS 2025 for the first time.

The government say this will support fiscal transparency and “stable ground” for longer-term financial planning.

**5.** What key areas should the Fiscal Sustainability Delivery Plan include to ensure it supports fiscal transparency and “stable ground” for longer-term financial planning?

**6.** How should parliamentary scrutiny of this Plan, a new aspect of the budget process, operate?

#### **Part 4: Approach to spending reviews**

The Scottish Government is expected to carry out a spending review linked to the equivalent UK spending review.

In advance, it is required to publish a framework document setting out the economic and political context, the criteria which will govern the assessment of budgets and the process and timetable for the spending review.

**7.** Learning from the practice of this parliamentary session, how should the Scottish Government approach future spending reviews?

#### **Part 5: Effectiveness**

Weaknesses previously identified in the budget process include that it did “not take sufficient account of the interaction of the UK budget timetable with the Scottish budget timetable, and that parliamentary influence on the formulation of the budget has been limited”.

**8.** To what extent has the full year budget process addressed this weakness? Please set out the reasons for your response and any suggestions on how any remaining weaknesses could be better addressed.

**9.** How effective is current public engagement in the budget process and are there any ways in which this can be improved?

**10.** What adjustments do you consider are required to enhance the overall effectiveness of the budget process?

**11.** Are any changes needed to the information, guidance and support provided to parliamentary committees to better support effective budget scrutiny?

1.4 A total of 32 responses were received. The responses received from Scottish Parliamentary Committees are summarised in a standalone chapter at the end of this paper. [All submissions can be found on the Parliament’s website.](#)

## **Summary of responses**

### **2. Have the four objectives of the budget process been met in practice?**

2.1 Greater influence on the formulation of the Scottish Government’s budget proposals

- 2.1.1 A few respondents acknowledged that the Scottish Government has increased its level of engagement with stakeholders in relation to the Scottish Budget. COSLA, said that “The 2025/26 budget process saw improved engagement between the Scottish Government and COSLA”.
- 2.1.2 Children in Scotland also noted: “We are supportive of efforts made by the Scottish Government to support greater engagement with the budget proposals. We were pleased to facilitate engagement between our Children’s Sector Strategic and Policy Forum and the First Minister in early December, an opportunity that was highly valued by the Forum’s members. We feel this reflected a willingness to be open and transparent about proposals and priorities for the budget. We are aware of similar experiences for our members and partners across the children’s sector.”
- 2.1.3 Despite this improved engagement some respondents were unsure regarding the extent to which the Scottish Government uses external engagement to design the budget in a meaningful way. The ALLIANCE stated that “whilst the ALLIANCE welcome the opportunities we have had to engage in the budget process in recent years, we are not convinced that the overall process has significantly shaped the resulting budget proposals.”
- 2.1.4 This view is shared by the Scottish Human Rights Commission (SHRC) which notes “there has been some progress in enabling greater engagement with external stakeholders in the budget process, but this has not yet translated into meaningful influence on budget formulation.”
- 2.1.5 Further, Scottish Borders Council stated that “local authorities have often been excluded from significant policy and budgetary decisions, such as the 2024-25 Council Tax Freeze. While there has been some progress, such as COSLA’s greater involvement in the latest budget, more structured and consistent involvement is needed to ensure local priorities are adequately reflected.”
- 2.1.6 The Scottish Women’s Budget Group also noted that “while the Committees have had access to some key documentation (i.e. Fiscal Framework Outturn Reports, and others produced by Audit Scotland and the Scottish Fiscal Commission) that would allow the formulation of evidence based budget proposals, there are many examples [...] where the committees’ recommendations included in their pre-budget reports have not been taken on board by the Scottish Government”.
- 2.2 Improved transparency and increased public understanding and awareness of the budget
- 2.2.1 Some respondents noted an improvement in transparency. The Scottish Fiscal Commission (SFC) noted that “since the start of this parliamentary session in May 2021 there have been some welcome improvements in the



information published by the Scottish Government as part of the Budget which improves its transparency.

- 2.2.2 The focus of most responses that addressed this topic highlighted areas where transparency needs to be improved. The Scottish Council for Voluntary Organisations (SCVO), commented on the insufficiency of data provided by the Scottish Government: “in 2025/26 the Third Sector Infrastructure & Development Budget Line was £14.1 million. SCVO estimates the Scottish Government invested over £1 billion in the voluntary sector in 2023 (the most recent year for which accounts data from voluntary organisations is available). Ministers and civil servants regularly use SCVO’s estimates to highlight the scale of government investment in the voluntary sector. Official figures are not available from the Scottish Government, a significant gap in the Scottish Government’s understanding of funding flows to the sector.”
- 2.2.3 The SHRC explained that “a key concern is the disconnect between key budget documents and decision-making processes”. They note that impact assessments are conducted after key budgetary decisions have already been made “rather than being used as an analytical tool to inform decisions at an early stage.”
- 2.2.4 When answering this call for views question, Carnegie UK provided details of broader research it had conducted which found that “Scotland’s residents have a collective democratic wellbeing score of just 39 out of a possible 100. This means that levels of trust in politics, government and decision-making are concerningly low in Scotland, as in the rest of the UK. Our research showed 38% of people in Scotland have low levels of trust in Members of the Scottish Parliament (MSPs), and 63% disagree that they can influence decisions affecting Scotland. This demonstrates a clear democratic deficit and a pressing need for meaningful change.”
- 2.2.5 Both The Chartered Institute of Taxation (CIOT) and the Institute of Chartered Accountants of Scotland (ICAS) advocate for the introduction of a regular fiscal Bill in the interests of transparency. ICAS notes “It is far easier to refer to a Finance Act or equivalent when researching legislative updates than it is to have to search through discrete legislative provisions and SSIs to ensure one has a correct and complete understanding of the current law in place.”
- 2.2.6 Stephen Kerr MSP has also said that: “A Finance Bill would consolidate tax and spending proposals into a single legislative package, providing a clearer, more coherent narrative of how revenue generation aligns with expenditure. This approach would improve public understanding and enhance parliamentary oversight”.
- 2.2.7 Stop Climate Chaos Scotland advocates for improved engagement and notes unrealistic timescales: “while very aware of the political realities, we do not believe that the budget process has contributed to “improved transparency

and increased public understanding and awareness of the budget”. This is because of both the short timescales (caused in part by the timing of the UK budget) and the political realities of the discussions between political parties that are necessarily “behind closed doors”.

## 2.3 Effective responses to new fiscal and wider policy challenges

- 2.3.1 The general view from the respondents that answered this question was that the budget is not taking sufficient account of new fiscal and wider policy challenges. One of the key themes of responses was the Scottish Government’s focus on immediate problems rather than on a strategic outlook. Audit Scotland noted: “In recent financial years, the focus of financial management and sustainability decisions taken by the Scottish Government has been predominantly short-term [...] Immediate budget pressures, such as costs associated with pay awards, have been met through short-term reactive measures, rather than more considered long-term reforms.”
- 2.3.2 COSLA mentioned the need to invest in upstream services that help prevent problems rather than focusing on responding to problems. Colleges Scotland explained that “effective responses to new fiscal and wider policy challenges [require] further work [...] to link decisions with both priorities and future direction”.
- 2.3.3 Several respondents highlighted the lack of multi-year financial settlements and commented that this inhibits a strategic approach to the provision of services for the public. Children in Scotland suggested that “the budget process would be improved by ensuring a focus on a number of key fundamental issues [such as] a commitment [...] to multi-year funding approaches (and a decrease in short-term funding).” This view was echoed by South Lanarkshire Council and by Scottish Borders Council.

## 2.4 Better outputs and outcomes as measured against benchmarks and stated objectives

- 2.4.1 Some respondents argued there is no clear link between the Scottish Government’s strategies and objectives and the decision making behind the design of the budget. Scottish Borders Council stated that “there is a need for a long-term approach to budget decision-making and policy development. This approach should respond to the fiscal and policy context, ensuring that year-to-year decisions are aligned with the strategic context and objectives”.
- 2.4.2 Carnegie UK explained that “further progress towards effective delivery of the objectives associated with the budget can be made by better embedding Scotland’s National Performance Framework (NPF) in all areas of Scottish governance and policy making”.

- 2.4.3 The Equality and Human Rights Commission, noted that “there is lack of coherence across the work of the Scottish Government in setting and measuring outcomes”. The Scottish Women’s Budget Group also noted that “the Scottish Budget is not outcome focused enough” and this leads to an “implementation gap which has persisted during this parliamentary session”.
- 2.4.4 A similar view was expressed by the SHRC: “There is insufficient connection between resource allocation and Scotland’s National Performance Framework (NPF). While the NPF was originally introduced as an outcomes-based budgeting framework to enable more outcomes-focused decision-making, in its current form it fails to achieve this goal. Rather than guiding budget decisions in a meaningful way, the NPF largely sits separately from financial decision-making, limiting its ability to drive improvements in public policy and service delivery.”
- 2.4.5 Stephen Kerr MSP noted that: “A persistent issue raised through parliamentary scrutiny and independent bodies such as Audit Scotland is the Scottish Government’s failure to provide clear and substantive responses regarding [...] the impact of public spending.”

## 2.5 Barriers to meeting the four core objectives of the budget process and suggestions as to how these might be overcome.

### 2.5.1 The responses to this subsection have been categorised by theme.

#### Improved data provision

- 2.5.2 The SFC explains that “There remain areas where the Scottish Government could provide more information to improve the transparency of the Scottish Budget. Our August 2024 Statement of Data Needs set out seven recommendations for the Scottish Government to improve the information published as part of the Budget, MTFS, Budget Revisions and provisional and final outturn.”
- 2.5.3 The Scottish Women's Budget Group states that “one of the key adjustments that we would like to see is a greater focus on monitoring linked to outcomes to understand the impact of the budget on the Government’s policy objectives, as well as greater use of gender budget analysis throughout the budget process and across the committees. Key to this is the availability of sex-disaggregated data to understand the impact that budget decisions have on different groups.”
- 2.5.4 Audit Scotland added that “in the recent ‘Fiscal sustainability and reform in Scotland’ report, the Auditor General concluded that there has not been enough communication of medium-term risks and the choices the Scottish Government needs to make to balance its budget.”

#### Increased engagement

- 2.5.5 Despite certain improvements to transparency, COSLA suggested that “the budget and the Local Government Settlement however remain extremely complex which can be challenging to understand. [...] It is also unclear what early engagement there is with the public to inform the budget setting process.”
- 2.5.6 The Associated Society of Locomotive Engineers and Firemen (ASLEF) stated that “there is a greater role for workers and their trade union representatives to play in the current budget process. This would potentially have an important impact on the scrutiny of the interdependent nature of policies which the budget is seeking to deliver, since trade unions represent workers across different sectors, the impact of the policies will be felt across members with unions and particularly those covering multiple sectors, able to highlight the positive and negatives on workers of budgetary decisions.”

Process for stakeholder feedback

- 2.5.7 The SHRC noted that the role of civil society and community groups is weakened by the reactive approach taken towards stakeholder feedback: “Several barriers continue to limit the effectiveness of the budget process. One significant issue is the timing of engagement, which often occurs too late to allow for meaningful external contributions. By the time consultations take place, key decisions have already been made, reducing the scope for stakeholders to shape budget priorities in any substantive way. As a result, the current process limits the potential for real deliberation—consultations tend to serve as opportunities for feedback on decisions already taken rather than as part of a shared, participatory decision-making process. [...] A critical gap in the current budget process is the absence of an annual Pre-Budget Statement (PBS).”
- 2.5.8 The Scottish Retail Consortium expressed a similar view: “there is something missing post Stage One as Budget accords with other parties are reached, in particular the chance for external stakeholders - like Scottish Retail Consortium - to give their perspective on the accord if it impacts their industry”. Equally, Children in Scotland advocates for “more meaningful engagement with key stakeholders, delivered in a time frame that can meaningfully influence proposals”.

### **3. Medium-Term Financial Strategy (MTFS)**

- 3.1 The MTFS is generally published annually and its purpose is to provide a medium-term perspective on the sustainability of Scotland’s public finances, supporting a broad approach to budget evaluation and formation. It is intended to ensure that both Parliament and Government have foresight of the financial challenges and broad financial plans for the next five years. The MTFS also sets out how the Scottish Government proposes to exercise its borrowing powers and the Scotland Reserve within the constraints of the Fiscal Framework.

3.2 To what extent does the MTFS support a more strategic approach to the Scottish Government's financial planning?

- 3.2.1 Respondents said they overwhelmingly support the principles behind the MTFS. The MTFS is seen as a positive mechanism which can provide transparency on how the Scottish Government intends to address multi-year budgeting.
- 3.2.2 The SFC noted that "the addition of the MTFS to the Budget process in 2018 has been a positive development [...] this should encourage budget planning over multiple years." Audit Scotland said that "MTFS is an important component of a whole cycle approach to the budget" while CIOT stated that "the benefits of the MTFS are clear. It provides clear direction of travel [...]."
- 3.2.3 Most respondents who addressed this question said they are however not convinced that the Scottish Government uses the MTFS to its full potential. One identified drawback was the fact that the MTFS is not updated frequently. The Scottish Women's Budget Group explained that "while the [MTFS] has provided a sense of direction in Scotland's financial planning this has often been short lived. [...] the [...] in year changes to the budget [...] would suggest that the MTFS and/or other fiscal tools are not currently supporting the Scottish Government's fiscal planning to the extent that they should."
- 3.2.4 Colleges Scotland made a similar point, highlighting that the last MTFS was published in 2023. COSLA added that "the fact that there hasn't been a MTFS published since 2023 is a challenge from a Local Government perspective".
- 3.2.5 The Scottish Trades Union Congress (STUC) claims that the MTFS has not supported a more strategic approach to financial planning. It further suggests that "much of the blame for this lies with the previous UK Government whose fiscal policy was characterised by short-term budget decisions, a lack of spending reviews, and general contempt for the Scottish Parliament. However, it also reflects of a lack of early Scottish Government engagement with trade unions on strategic decisions about public sector resourcing and public sector pay."

3.3 How is the MTFS used by parliamentary committees and how might it be further developed to support effective scrutiny and a strategic approach to financial planning?

- 3.3.1 Most responses that addressed this point outlined that the MTFS is not sufficiently detailed on how medium-term strategy is intended to be delivered in practice by the Scottish Government.
- 3.3.2 For example, Audit Scotland highlighted that in the 2023 MTFS "the Scottish Government has set out an overarching approach to fiscal balance, but the detail and medium-term plans to support this are missing".

- 3.3.3 Scottish Borders Council made a similar point stating that “the effectiveness of the MTFS is limited by a lack of clarity on how medium and long-term financial pressures will be managed in practice. While the MTFS is effective in outlining the financial picture for the years ahead, it is less clear on the steps needed to reach this end, which limits its effectiveness as a route-map for public sector partners, including local government”.
- 3.3.4 The SHRC suggested that “improving integration between the MTFS, annual budgets, and the National Performance Framework is critical. Creating a more cohesive narrative that connects these documents would help committees gain a comprehensive understanding of how long-term planning translates into yearly resource allocation and measurable outcomes”.

#### **4. Fiscal Sustainability Delivery Plan (FSDP)**

- 4.1 What key areas should the FSDP include to ensure it supports fiscal transparency and “stable ground” for long-term financial planning?
- 4.1.1 The majority of respondents who answered this question outlined the need for realistic spending plans that reflect the full impact of future challenges. It was seen as essential that the FSDP is not simply a standalone document but that it relates to wider Scottish Government strategies.
- 4.1.2 The SFC noted that the “Scottish Government faces fiscal sustainability challenges over the immediate, medium and long-term. It is important that any plan considers the long-term outlook and makes early preparations for these challenges as well as considering the more immediate challenges of balancing the budget over the next few years”.
- 4.1.3 Audit Scotland’s expectation is that “as a delivery plan, the FSDP will include actions that are detailed, proportionate and timely. It should be clear what each action will contribute to fiscal sustainability, where the responsibility for achieving this action will sit, and the timelines for achieving that action, including any milestones”.
- 4.1.4 COSLA suggested that the FSDP “should include realistic reflections of the continued cost to deliver statutory services across the public sector”. Both South Lanarkshire Council and Scottish Borders Council agreed with this view. Further, South Lanarkshire Council noted that the FSDP “should be fully transparent about the scale of risks to the affordability of public services” and that it should ensure “detailed involvement with stakeholders”.
- 4.1.5 The Scottish Grocers' Federation (SGF) stated that the FSDP should “be transparent on where the funding will come from in order to fund government policies. Specifically, if additional taxation is required to fund budgetary decisions”.

4.1.6 Finally, both the ALLIANCE and Audit Scotland emphasised that the FSDP should clearly align with existing Scottish Government priorities.

4.2 How should parliamentary scrutiny of this Plan, a new aspect of the budget process, operate?

4.2.1 Not many respondents commented on this question. The SFC suggested that “it could be helpful if the FSDP reflected the scale of challenges [published by the SFC in its reports] and allowed Parliament to judge how effectively the Scottish Government was planning to deliver fiscal sustainability in the short, medium and long term”.

## **5. How should the Scottish Government approach future spending reviews?**

5.1 Several respondents outlined the need for realistic multi-year spending plans as well as a suggestion for Scottish Spending reviews to include some form of external stakeholder consultative process.

5.2 COSLA noted that “There should be a clear process for timely engagement with key stakeholders including Local Government.” ASLEF added that “as with the UK Government, the Scottish Government should also enable representations to be made as part of the process, with these submissions being made public so that the public are aware of the lobbying which has taken place”.

5.3 The STUC also argued that “The Scottish Government should engage early with trade unions to agree a realistic public sector pay policy that can give certainty and stability to the workforce and the Scottish Budget”.

5.4 South Lanarkshire Council noted that “the Resource Spending review in 2022 included multi-year portfolio spending plans. However, inflationary pressures over the course of 2022/2023 changed expectations of spending and funding significantly. Scenario planning for a range of outcomes should be included in future spending reviews and would enhance the value of the exercise.”

5.5 The SFC said “we note the next Scottish election in May 2026 will be in the second year of the UK’s three-year spending review. As the Scottish parliamentary cycle is unlikely to align perfectly with that of the UK Parliament and Spending Review cycle. There will never be an ‘ideal’ timing for a Scottish Spending Review, so we encourage the Scottish Government to set out multi-year spending plans even when these cross into a new parliament to support planning across the public sector”.

5.6 Audit Scotland makes a similar point: “updating the Spending Review on a regular basis would help ensure the spending projections are more up to date. For example, the UK Government has committed to setting resource budgets for three years and capital budgets for five years, with reviews every two years. This

approach intends to enable better financial planning and help achieve value for money. A more regular timetable of UK Government spending reviews, which inform funding assumptions for the Scottish Budget, facilitate the development of more regular and robust medium-term spending plans by the Scottish Government”.

## 6. Effectiveness

6.1 Weaknesses previously identified in the budget process include that it did “not take sufficient account of the interaction of the UK budget timetable with the Scottish budget timetable, and that parliamentary influence on the formulation of the budget has been limited”.

6.2 To what extent has the full year budget process addressed this weakness?

6.2.1 Some respondents found that the new process has addressed this weakness to some extent. The SHRC explains that “a key ongoing weakness is the absence of a dedicated Pre-Budget Statement. [...] This document would provide a bridge between high-level strategic planning (e.g., the MTFS) and the detailed annual budget, offering Parliament and civil society a crucial opportunity to scrutinise and shape the government’s plans before formal decisions are made”.

6.2.2 Audit Scotland noted that “the full year budget process relies on a robust MTFS to support parliamentary pre-budget scrutiny. [...] In the absence of this, or in a context when the figures included no longer reflect the current fiscal environment, the focus on the process is the scrutiny of the draft budget and Budget Bill. This puts pressure on the ability of the Parliament to scrutinise the budget over the course of [a] three month budget process”.

6.3 How effective is the current public engagement in the budget process and are there any ways in which it can be improved?

6.3.1 Some respondents appreciated the improved public engagement while others questioned its effectiveness. SHRC noted “Public engagement in the budget process is growing, but significant barriers remain. Current efforts tend to focus more on consultation than on genuine co-production, limiting the extent to which the public can meaningfully influence budgetary decisions. For engagement to be truly effective, it must become more accessible and structured around a coherent framework, ensuring that a wider range of voices is heard and acted upon”.

6.3.2 The ALLIANCE stated that: “Despite the generally positive approach of the Scottish Parliament to the budget process, it has not necessarily been effective at influencing the Scottish Government. [...] This is a potentially concerning assessment not least because, if engaging in the process does not deliver tangible results, organisations and the public may simply choose



not to do so. Engagement is a sign of a healthy, democratic society, and it would therefore be damaging to Scotland's good governance if there was to be a loss of trust in the process. The Scottish Government must therefore prioritise meaningfully acting on, or communicating its reasons for not doing so, the recommendations of parliamentary scrutiny."

6.3.3 A number of respondents suggested that the engagement is not sufficiently wide. ASLEF said "we believe the current approach has been too narrow regarding engagement with trade unions, seeing their input as needed only on tax and pay sustainability. As has been evidenced by the decision to reintroduce peak rail fares and the slow progress on replacing Scotrail's fleet and the reluctance to merge Caledonian Sleeper into Scotrail. There are areas where engagement with workers on the front line and their trade unions could assist the government in making budgetary decisions which have wide ranging impacts within a specific sector and beyond."

6.3.4 A similar point was made by the SGF: "many key decisions are made without detailed industry input; this leads to uncertainties about future policy and funding commitments".

6.4 What adjustments do you consider are required to enhance the overall effectiveness of the budget process?

6.4.1 The main theme arising from the responses is that the current process has very tight deadlines and that expenditure is not linked sufficiently with desired outcomes.

6.4.2 COLSA noted: "The timing of the Scottish Budget publication is challenging for local authorities as it provides very little time to set local budgets ahead of the date that councils are legally required to do so." The SFC also noted: "The time between the UK autumn fiscal event and the Scottish Budget is very tight. [...] [this provides] very little time for the development of forecasts and the Scottish Government to consider policy decisions".

6.4.3 Scottish Women's Budget Group stated that: "one of the key adjustments that we would like to see is a greater focus on monitoring linked to outcomes to understand the impact of the budget on the Government's policy objectives." This view is shared by the SHRC: "developing a robust system of outcome-based reporting would help align budget decisions with measurable outcomes and improve transparency. By clearly linking resources to expected results, it becomes easier to evaluate the effectiveness of public spending and hold decision-makers accountable."

6.5 Are there any changes needed to the information, guidance and support provided to parliamentary committees to better support effective budget scrutiny?

- 6.5.1 The SFC noted that quality of data available to Committees could be improved to support more effective scrutiny: “The information published at the time of the Scottish Budget, MTFs, budget revisions, provisional outturn and final outturn could be improved and made more consistent between these publications. To further facilitate scrutiny the SFC suggests that “any spending which is known at the budget-setting stage to have to be transferred later on should be shown in the portfolio which will incur the spending from the outset”.

## 7. Responses from Scottish Parliament Committees

- 7.1 On 26 February 2025, the Convener of the Finance and Public Administration Committee [sent a letter](#) to the Conveners of other Scottish Parliament Committees inviting their views on how the Scottish budget process has worked in practice. This section summarises the responses received.

- 7.2 The main themes covered in the Committee responses were as follows:

- 7.3 The impact of the scrutiny process on the formulation of the Scottish Budget

- 7.3.1 The Constitution, Europe, External Affairs and Culture Committee (CEEACC) noted that “as part of the cumulative approach [to budget scrutiny] we focused on similar themes in our pre-budget scrutiny throughout the session. [...] One of the key benefits of this approach has been a focus on holding Ministers to account for progress in delivering commitments in previous years. For example, through cross-referencing recommendations in our pre-budget reports earlier in the session and Ministerial responses. Our experience is that this approach to our budget scrutiny has been impactful”.

- 7.3.2 The Local Government, Housing and Planning Committee (LGHPC) believes that “pre-budget scrutiny tends to have limited impact on the formulation of the Scottish Government’s budget proposals”. It then added that “our pre-budget scrutiny for 2023-24 focussed on the Affordable Housing Supply Programme (AHSP) and raised “serious concerns” about the prospect of meeting Scottish Government targets. The Budget for 2023-24 then saw a reduction of £133m to the AHSP budget. [...] it is not clear what impact the work of the Local Government, Housing and Planning Committee had on the budget that year.”

- 7.3.3 The LGHPC suggests “that post-legislative scrutiny of the outcomes the budget may be more effective in holding the Scottish Government to account”.

- 7.4 Lack of good quality data to inform scrutiny

- 7.4.1 The Economy and Fair Work Committee (EFWC) stated that “Over the course of this session, this committee has commented on [...] (2) difficulties when comparing spend year-on-year, and (3) a lack of disaggregated data, for example in relation to business support provided during the pandemic by

sector and generally in relation to women's business activity, support and procurement. Some progress has been made".

- 7.4.2 The Net Zero, Energy and Transport Committee added that "The effective implementation of the net zero test across Scottish Government areas would significantly increase the ability of committees to scrutinise policy through a net zero lens. Without the level of detail which would be provided by a net zero test, it is challenging for the [...] Committee to effectively consider the carbon emission implications of budget proposals."
- 7.4.3 The Education, Children and Young People Committee (ECYP) also noted that "The Committee has often highlighted the importance of good quality data, which is recorded consistently, to inform effective scrutiny. However, such data is not always available."
- 7.4.4 The Health, Social Care and Sport Committee (HSCSC) added that "the Scottish Government's response[s] to pre-budget scrutiny [...] tended to be lacking in the level of detail required for effective scrutiny and rarely commit the Scottish Government to any new actions in response".
- 7.4.5 The HSCSC goes on to note that "it was also a particular point of concern that, while giving oral evidence to the Committee as part of last year's budget scrutiny, the Cabinet Secretary gave eight separate assurances that he would follow-up in writing to address points that were considered by Members to be missing or unclear from Budget documents".
- 7.4.6 The HSCSC further adds "I would observe that, if a lack of detail makes it difficult or impossible for parliamentary committees to link spending plans with high level commitments and priorities without receiving further clarification from the Government, there is very little chance of the public being able to increase their understanding and awareness of the budget and how it impacts them".
- 7.5 An insufficient link between expenditure and measurable outcomes
- 7.5.1 The EFWC noted that "over the course of this session, this committee has commented on a lack of obvious link between Scottish Government's planned spend and published plans and strategies, and an apparent lack of cohesion across different policy areas".
- 7.5.2 The ECYP also stated that "during this session, the Committee has also repeatedly called for clarity on the intended outcomes of each policy from the outset, and how these will be measured. Without this, it is difficult for the Scottish Government, or anyone else, to assess whether a policy has achieved what was intended."

7.5.3 The HSCSC stated that “The lack of mechanisms available to committees to allow them to link budgets/spending to outcomes is an ongoing source of frustration and one which is particularly pertinent to the health portfolio. [...] it is the Committee’s view that effective scrutiny of the budget requires clarity as to what impact spending, particularly additional spending committed during the budget process, is having in addressing health outcomes in Scotland. With the information currently available, there remains limited opportunity for committees – or indeed the general public – to see clearly where spending has had the greatest impact and which policy areas may need additional support.”

The logo for SPICe, featuring the word 'SPICe' in a white, sans-serif font on a dark blue background.The logo for The Information Centre, featuring the text 'The Information Centre' and 'An t-Ionad Fiosrachaidh' in a white, sans-serif font on a dark blue background.

## Finance and Public Administration Committee

### 13th Meeting, 2025 (Session 6), Tuesday 22 April 2025

#### The Budget process in practice

##### Introduction

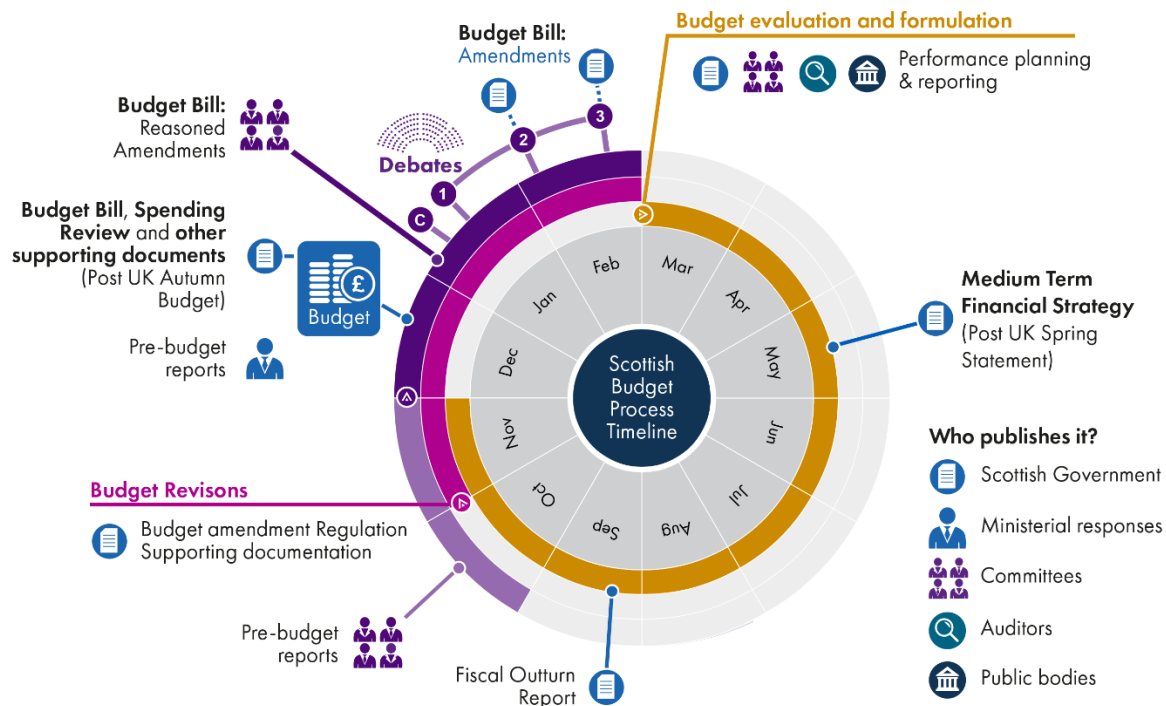
This paper set out how key aspects of the budget process have operated in practice this session.

##### Background

The [Budget Process Review Group \(BPRG\) published its final report in June 2017](#). It made a number of recommendations as to [how the Budget process should be changed](#) in light of new powers devolved to the Scottish Parliament in Scotland Act 2016.

On Tuesday 8 May 2018, the Scottish Parliament voted to accept a new Written Agreement between the Finance and Constitution Committee and the Scottish Government, setting out the administrative arrangements for the annual budget process and other related budgetary matters. The [Written Agreement was updated at the start of session 6](#), but “is based on the agreement between the Session 5 Finance and Constitution Committee and the Scottish Government as revised following the recommendations of the Budget Process Review Group.”

The Budget process timeline is visualised in the following chart, which sets out key publications and stages by calendar month.



## Scottish Government publications to support the process

A key recommendation of the BPRG was a move to “year-round” budget scrutiny, underpinned by two key strategic documents published by the Scottish Government to inform Parliament’s pre-budget scrutiny of the Government’s budget. The first of these was the Medium-Term Financial Strategy (MTFS) (to be published annually, normally in May) and the Fiscal Framework Outturn Report (FFOR) to be published annually in September/October.

The purpose of having a pre-budget scrutiny phase was to allow Parliament, parliamentary committees and stakeholders the opportunity to influence government thinking on the budget and budgetary priorities prior to the government formally introducing its budget (usually) around December.

Since the new process came into place in 2018, the publication timings of the MTFS and the Budget have not always followed the envisaged timing, usually due to external “events”. The FFOR has, however, been published each year as planned in late September/early October. The table below sets out the timings of the MTFS and Scottish Government budget publication by budget year.

**Timings of MTFS and Budget<sup>3</sup> introduction by Budget year**

<b>Year</b>	<b>Document</b>	<b>Expected publication month</b>	<b>Actual publication date</b>	<b>Stated reason for delay/non-publication</b>
2018	MTFS Budget 2019-20	May 2018 December 2018	31 May 2018 12 December 2018	n/a n/a
2019	MTFS Budget 2020-21	May 2019 December 2019	30 May 2019 6 February 2020	n/a UK election in December 2019
2020	MTFS Budget 2021-22	May 2020 December 2020	28 January 2021 28 January 2021	Pandemic and Brexit transition – MTFS and Budget published same day.
2021	MTFS Budget 2022-23	May 2021 December 2021	9 December 2021 9 December 2021	Scottish election n/a
2022	MTFS Budget 2023-24	May 2022 December 2022	31 May 2022 15 December 2022	n/a n/a
2023	MTFS Budget 2024-25	May 2023 December 2023	25 May 2023 19 December 2023	n/a slightly later due to later Autumn Statement
2024	MTFS Budget 2025-26	May 2024 December 2024	Not published 4 December 2024	UK election n/a

As can be seen in the above table, in the seven years since the year-round budget process has been in operation, there have been 2 occasions (2020 and 2021) when the MTFS has not been published in May and 1 occasion (2024) when it has not been published at all. The Budget itself has been delayed on 3 occasions in 2019, 2020 and 2023, which truncated the time available for Parliamentary scrutiny of Government spending plans.

Later budget publication dates eat into the time available for scrutiny as the Budget must be passed and given Royal Assent in advance of the financial year beginning in April.

Scrutiny of multi-year plans has also been a challenge during this session. Not only because of delays to MTFS publications, but also because of the UK government only providing single year block grant allocations.

There has only been one Scottish [Spending Review published since the change to the Budget process was introduced. That was in 2022](#), and only involved plans for Resource spending. The 2022 Resource Spending Review itself was the first multi-year resource spending review since 2011. On the Capital budget side of the spending equation, as Committee has noted, there have been numerous delays to

<sup>3</sup> The Budget document referred to in this table is the Government's main budget document. This is the document that sets out the full tax and spending proposals of government and is different to the Budget Bill itself. This document will normally be published the week before the introduction of the Budget Bill.

Scottish Government publishing infrastructure plans. This has left something of a parliamentary scrutiny gap of government capital plans.

The BPRG intended the publication of the MTFS to provide a hook for the pre-budget parliamentary scrutiny of not just the Finance Committee, but all subject committees. However, there have also been questions raised around the usefulness of the MTFS as a tool for committee scrutiny. The first MTFS document provided useful details around priorities by portfolio areas, but less detail has been provided in subsequent documents. For example, the most recent MTFS, published in 2023, contained lots of information on the scale of the challenges facing the public finances in the coming years, and a general approach to setting budget priorities, but specific details of how the Scottish Government intended to take on these challenges were missing.

The call for views by this Committee for its Budget process inquiry asked about the MTFS and its efficacy. Whilst there was widespread support in submissions received for the principle of the Scottish Government publishing medium term financial plans, there was scepticism about whether the actual publications have supported scrutiny and a more strategic government approach to financial planning. Submissions questioned the details provided by government on how it intended to address medium term fiscal challenges.

For example, Audit Scotland's submission noted that "the full year budget process relies on a robust MTFS to support parliamentary pre-budget scrutiny. [...] In the absence of this, or in a context when the figures included no longer reflect the current fiscal environment, the focus on the process is the scrutiny of the draft budget and Budget Bill. This puts pressure on the ability of the Parliament to scrutinise the budget over the course of a three month budget process".

### **Committee budget scrutiny**

As mentioned above, the year-round scrutiny process gives all committees the opportunity to feed in views to the Scottish Government ahead of it bringing forward "draft" proposals (usually in December). SPICe has started to [track the approaches of various committees in recent years](#). When the "new" process started in 2018, 10 Committees undertook pre-budget scrutiny and in subsequent years the number of Committees undertaking budget scrutiny has generally been around 11 or 12. The number of recommendations has fluctuated over that time, but the broad themes identified within Committee reports include requests for greater transparency and strategic clarity from the Government as well as topical issues like cost of living and inflation within each committee remit. There has also been a trend in recent times for stronger language in recommendations, for example, the FPAC's recent conclusion that:

"The Committee is deeply concerned about the Scottish Government's lack of strategic approach to managing Scotland's public finances. There is little evidence that medium- and long-term financial planning is taking place, and year-on-year budgeting has also become challenging, with significant emergency controls being required in each of the last three years. While we recognise that devolved administrations have fewer flexibilities to deal with



‘shocks’, many of the issues impacting the 2024-25 Budget – such as higher than anticipated pay settlements, the council tax freeze, and increasing social security payments – could have been foreseen and mitigated when the Budget for 2024-25 was set last December.”

The Equalities, Human Rights and Civil Justice Committee also recently noted that “at this point, we are of the view that the Scottish Government does not show comprehensively how evidence is considered in decision making and that this information is not released at a point to allow meaningful participation and scrutiny before decisions are made.”

SPICe analysis also shows that there are few committee recommendations requesting more money for specific areas, probably due to a reluctance to suggest where the corresponding reductions required might fall.

The format and style of committee outputs varies. Most committee recommendations are aimed at the Scottish Government, but some are aimed at public bodies. More Committees are opting to send letters to the Government rather than full reports. The pre-budget phase culminates in a Chamber debate ahead of Stage 1 of the Budget Bill when committees (often via Conveners) are able to articulate key committee priorities and comment on the adequacy of Scottish Government responses to pre-budget reports. In [this year’s debate held on 30 January 2025](#), 12 Committees were represented, with 11 conveners speaking.

**Ross Burnside, Senior Researcher, Financial Scrutiny Unit (FSU)**

Note: Committee briefing papers are provided by SPICe for the use of Scottish Parliament committees and clerking staff. They provide focused information or respond to specific questions or areas of interest to committees and are not intended to offer comprehensive coverage of a subject area. The Scottish Parliament, Edinburgh, EH99 1SP [www.parliament.scot](http://www.parliament.scot)

## Annexe C

### **OBR submission to the FPAC inquiry into how the Scottish Budget process has worked in practice**

Dear Convener,

On behalf of Office for Budget Responsibility (OBR), I welcome the opportunity to respond to your inquiry into how the Scottish Budget process has worked in practice.

The OBR's UK-wide responsibilities are set out in the *Budget Responsibility & National Audit Act 2011* and the *Charter for Budget Responsibility, 2025*. Our additional responsibilities in relation to Scottish forecasting were set out in the February 2016 *Agreement between the Scottish Government and the United Kingdom Government on the Scottish Government's fiscal framework*, which was most recently revised in 2023.

This specifies that the OBR's role in the Scottish Budget process is limited to the use of our forecasts in the calculation of the Block Grant Adjustments (BGA). The tax BGAs are initially based on OBR forecasts for the rest of the UK Government's revenue from taxes that have been devolved, which is equivalent to the estimated revenue from those taxes in England and Northern Ireland. We publish these forecasts in our twice-yearly *Devolved tax and spending forecasts* publication alongside our UK-wide forecast.

The OBR's ability to contribute to the inquiry is therefore somewhat limited given our narrowly defined role in the Scottish Budget process. Further, the remit given to us by the UK Parliament requires that we do not provide normative commentary on government policy making. As such, in the submission in the annex to this letter, rather than provide responses to the full list of specific questions, many of which fall outside of our remit, we provide evidence in relation to some key themes covered by the inquiry. This includes our approaches to fiscal transparency, to forecasting and assessing the risks around departmental spending allocations, and to the analysis of fiscal sustainability.

We hope this submission is nevertheless useful and look forward to giving oral evidence to the Committee on 22 April 2025.

Yours sincerely,

Tom Josephs  
Budget Responsibility Committee member

### **Annex: OBR submission to the Committee's inquiry**

#### **Improving the transparency of our forecasts and their role in the Scottish Budget process**

The inquiry is considering the role of improved fiscal transparency and increased public understanding and awareness of the budget. We see transparency as central

to the effective delivery of the OBR's responsibilities. We have therefore taken several steps that aim to specifically improve transparency around our role in the Scottish Government Budget process. In particular, we have developed the content of our published documents – particularly the *Devolved tax and spending forecasts* document published alongside each of our *Economic and fiscal outlooks (EFOs)* – with the aim of enhancing understanding of our forecasts, their accuracy, and their effects on the Scottish Budget. This section sets out the key developments we have made in this area.

### *Comparisons with the Scottish Fiscal Commission forecasts*

The Scottish Government bases its spending decisions on both the Block Grant Adjustments (BGAs), which reflect our forecasts, and the Scottish Fiscal Commission's (SFC's) forecasts for tax revenues in Scotland. As a result, differences between our respective forecasts for growth in revenues can affect the overall budget in any given year – although ultimately resources are aligned to revenue outturns via a reconciliation process over subsequent years. Differences in modelling approaches, data used, and judgements applied can all contribute to differences between our and the SFC's forecasts. This is compounded by the fact that we produce our forecasts at different times, so the latest data will have moved on in between each forecast.

To increase transparency, we therefore agreed with the SFC that we would publish a standard set of comparison tables that we update and explain alongside each new forecast. This includes sections that set out comparisons between OBR and SFC income and property taxes, as well as the different economic assumptions used in the forecasts, such as in relation to employment and earnings growth.

### *Information on the Block Grant Adjustment and net tax position*

We have further increased the information we publish on BGAs through the introduction of a new chapter in the *Devolved tax and spending forecasts* publication. This brings together the forecasts used in the BGA calculations. For Scottish devolved taxes, these are the forecasts for the rest of the UK Government's revenue from taxes that have been devolved, which is equivalent to the estimated revenue from those taxes in England and Northern Ireland. For Scottish devolved social security, the Block Grant Adjustment is based on the forecast for spending on the devolved elements in England and Wales. We produce these forecasts and seek to be transparent on the impact they have on the BGAs. However, we are also clear that we are not responsible for the formal calculation of the BGAs, which are produced by the UK Treasury.

In the March 2025 *Devolved tax and spending forecasts* document for the first time we expanded Chapter 2 to include an illustrative forecast of the net income tax positions for Scotland and Wales for all years of the forecast. These are illustrative projections of the difference between the income tax revenue that the devolved governments receive, and the funding that is deducted from the Block Grant to account for the devolution of income tax. For devolved governments, the net position is effectively the most relevant measure of the budgetary impact of devolved taxes.

### *Evaluation of forecast performance and methodology*

Since 2022, we have introduced forecast evaluation analysis for our Scottish forecasts, building on the methodology we have developed for our UK-wide forecasts in our annual *Forecast evaluation reports*. Doing so is important for transparency and helps us to understand and identify ways to improve our methodology and modelling. We have concluded from previous evaluations of devolved income taxes that they have generally improved with time as we incorporate more outturn data from across the UK's income tax systems, and also due to the improved use of RTI data. Because of the lag in publishing income tax outturn data for Scotland, we can only analyse our devolved income tax forecasts well after the end of the year to which they relate.

Building on this analysis, we have undertaken deeper analytical assessments of drivers of our devolved tax forecasts in order to further improve their transparency and accuracy. In particular, our 2023 working paper, *Developments in devolved income tax*, made a comprehensive assessment of the evolution of the significant and widening gap in the amount of income tax paid per person in Scotland and Wales relative to the UK as a whole. It explored the drivers behind these changes to identify trends that could be factored into our devolved income tax forecasts.

### *Transparency on our role in the Scottish Budget process*

We are currently expanding our website to include a detailed explanation on devolved funding and the role the OBR plays in the process, to increase transparency in relation to our involvement. The website already includes an outline of our role, copies of all the relevant legislation, and other relevant documentation including our Memorandum of Understanding with the SFC. It also includes the transcripts of the OBR's annual appearances before the Finance and Public Administration Committee each year to explain our forecasts to the Scottish Parliament.

### **Forecasting and scrutinising departmental spending**

The OBR does not have any role in forecasting or scrutinising public spending decisions taken by the Scottish Government as part of the Scottish Budget process. However, it is an important part of the role we play in the UK Budget process and is area where we have significantly enhanced our approach over the past year. Therefore, given the focus of the inquiry on effective scrutiny of spending reviews and spending decisions taken in the Scottish Budget, we thought it would be helpful in this section to summarise the recent changes we have adopted.

The OBR's approach to forecasting and scrutinising UK departmental spending totals (known as departmental expenditure limits, or DELs) has traditionally been focused on assessing the overall spending totals supplied by the Treasury. In this sense, the forecast was 'top down', in contrast to the 'bottom up' approach used for tax receipts, welfare spending and other areas of annually managed expenditure (AME), where forecasts for each tax and spending line are produced individually by the OBR and then aggregated together.

In October last year, the OBR published a review into the preparation of its March 2024 forecast for departmental expenditure limits.<sup>4</sup> This was prompted by an HM Treasury estimate published in July 2024 of significant net spending pressures over and above the DEL budgets set by the Treasury for 2024-25 at the time of the Spring Budget in March 2024, which potentially represented one of the largest year-ahead overspends against departmental spending forecasts outside of the pandemic years. The review found that to ensure this issue is not repeated in future, the Treasury should provide information to the OBR necessary to allow a more disaggregated and transparent approach to forecasting DEL, and that the OBR should use this information to scrutinise DEL spending in a manner closer to the approach used to forecast receipts and AME.

Specifically, the review set out ten recommendations, which the Treasury agreed to, and which have been implemented through the October 2024 and March 2025 forecasts. As a result, our analysis and forecasts of DEL spending now contain materially more information on:

- the allocation of DEL across departments, rather than just at the aggregate level, with analysis of the risks to particular departmental settlements;
- the size of the 'reserve' that the Treasury holds to deal with unforeseen spending pressures within year, and an assessment of the pressure on the reserve and the risks around it;
- details of all material DEL policies announced since the previous forecast, and how they are funded, such as through additions to total departmental expenditure limits, via transfers from the reserve, or through specifically identified savings in existing budgets; and
- a breakdown of DEL spending by economic category, including pay and headcount.

Our view is that this additional information significantly enhances the accuracy and transparency of the forecasts we make of DEL spending, and allows for a better informed assessment of the risks around the central forecast.

## **Assessments of fiscal sustainability and risks**

The inquiry asks about how analysis of fiscal sustainability can support fiscal transparency and longer-term planning. The OBR's remit includes the responsibility to evaluate the long-term sustainability of the UK public finances and assess fiscal risks. We assess the main risks to our central medium-term economic and fiscal forecasts in each *EFO*, using probabilistic ranges ('fan charts'), alternative scenarios, and sensitivity analysis. We also produce a detailed analysis of wider and longer-term fiscal pressures and risks in our annual *Fiscal risks and sustainability reports (FRSs)*. Over the past few years the *FRS* has covered issues including:

- long-term projections of the public finances over the next 50 years, which primarily assess the fiscal pressures due to the ageing population, but also consider scenarios, for example of the fiscal impact of different migration and productivity assumptions;

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<sup>4</sup> OBR, *Review of the March 2024 forecast for departmental expenditure limits*, October 2024.

- the specific long-term pressures on health spending, due to demographics but also the trend of rising underlying healthcare costs;
- the potential fiscal impact of climate change, both from the costs to government of the transition to net zero and from climate change damage;
- the fiscal costs of rising labour market inactivity, in particular due to the increase in inactivity due to health conditions or disability;
- how geopolitical conflict has affected the public finances in the past, and the economic and fiscal implications of some of the current potential threats;
- the fiscal risks from higher fossil fuel prices and potential fiscal implications of long-term changes in energy supply and demand; and
- the vulnerability from current high government debt levels, the impact of the rise in interest rates, and prospects for reducing debt over the medium term.

In these reports we primarily assess long-term fiscal sustainability at the UK-wide level. The SFC has the role of providing fiscal sustainability analysis specifically for Scotland. We support the SFC's work on this, which it publishes primarily in its *Fiscal Sustainability Reports*, by sharing the model used to produce our long-term fiscal projections and regularly discussing the risk analysis we have produced. This is in line with the *MoU* agreed between the two organisations which requires the regular sharing of information on methodologies, data and models to support the organisations' respective functions. The upcoming expansion to our website will include a section on fiscal risks and sustainability specific to our devolved forecasts.

## **Inquiry into Scottish Budget Process**

### **Fraser of Allander Response**

April 2025

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**To what extent have the following four objectives for the Scottish budget process been met this parliamentary session – please address each in turn:**

- **greater influence on formulation of the Scottish Government’s budget proposals**
- **improved transparency and increased public understanding and awareness of the budget**
- **effective responses to new fiscal and wider policy challenges**
- **better outputs and outcomes as measured against benchmarks and stated objectives?**

**Please set out any barriers to meeting the four core objectives of the budget process and suggestions as to how these might be overcome.**

There has been some increase in transparency throughout the Parliamentary Session.

The Scottish Government has finally acceded to presenting their budget against their latest position, which is an improvement we have long argued for. There has also been increased presentation of lower-level budgets and more presentation on the basis of Classification of Function of Government (COFOG) rather than portfolios. All this make analysis and comparability of budgets over time easier and more reliable, and improves the public discourse and scrutiny.

There are still a few issues – for example, the Scottish Government’s insistence in large in-year transfers across portfolios, which should be baselined rather than done on a recurring basis. This could and should be dealt with by the Scottish Government to allow meaningful comparisons across portfolios (and at level 4) on the day the Draft Budget is presented.

On the effectiveness of responses to new fiscal policy changes, progress has been slower. The Scottish Government’s budgeting has been increasingly short-term, which has been a combination of short-term budgeting in Westminster (making it hard to plan) and the Scottish Government’s own decisions – including a lack of

clear planning for pay awards in-year and the lack of direction in terms of what it wants to be able to deliver in the medium-term, and therefore how to achieve it.

Although the Scottish Government is right to point out that there is an election coming and that it needs certainty from the Spending Review, that does not preclude it from setting out indicative plans for what fiscal policy might look like on the basis of current projections, as any government would be expected to do.

The FPAC scrutiny of tax policy has succeeded in moving the conversation to net tax yields of income tax measures rather than static, which has been a really positive step and moves the discussion away from the unhelpful and unrealistic large numbers from static costings.

**The MTFS aims to focus on the longer-term sustainability of Scotland's public finances and support a strategic approach to financial planning. The MTFS is expected to be published annually after the UK Spring Statement and at least four weeks before summer recess.**

- **To what extent does the MTFS support a more strategic approach to the Scottish Government's financial planning?**
- **How is the MTFS currently used by parliamentary committees and how might it be further developed to support effective scrutiny and a strategic approach to financial planning**

The MTFS has not really been successful in achieving this. It has more often than not felt like a political document, more aimed at managing expectations of what might be funded than in setting out a credible central scenario.

The MTFS appears to have the trappings of a strategic document, but lacks a lot of detail that would be required for it to be useful set of forecasts. There is no detail on how the spending projections are arrived at, and therefore it is impossible to scrutinise the priority of each and how realistic they are. When we come to try and understand the net fiscal position, we are often unable to reconcile the MTFS with any in-year spending changes. This throws into question its usefulness as a document. It is also why it has largely been abandoned by those scrutinising the Scottish Government – especially when it has not always been published when it was due.

**The Scottish Government said it will publish a Fiscal Sustainability Delivery Plan alongside the MTFS 2025 for the first time. The Government say this will support fiscal transparency and “stable ground” for longer-term financial planning.**



- **What key areas should the Fiscal Sustainability Delivery Plan include to ensure it supports fiscal transparency and “stable ground” for longer-term financial planning?**
- **How should parliamentary scrutiny of this Plan, a new aspect of the budget process, operate?**

It's unclear why a different document is needed. The MTFS is supposed to address fiscal sustainability, and the fact that the Scottish Government is creating a separate one casts doubt on the usefulness and the seriousness with which the SG treats the MTFS – and therefore how seriously we should treat it.

Given that around half of Scottish Government current spending is on pay, any long-term-focussed document that does not have a specific view on the size of employment and rate of growth in payroll over a number of years cannot be regarded as credible. Of course, whether that is realised or not depends on the outcome of the Spending Review. But financial planning is done precisely on the basis of the information available at any given time, and hence why it is so important.

**The Scottish Government is expected to carry out a spending review linked to the equivalent UK spending review. In advance, it is required to publish a framework document setting out the economic and political context, the criteria which will govern the assessment of budgets and the process and timetable for the spending review.**

- **Learning from the practice of this parliamentary session, how should the Scottish Government approach future spending reviews?**

Spending reviews should be shorter than a Parliamentary term, allowing for changes in policy priorities midway through it. But they should contain both a firm set of settlements and indicative future years, which allow for that longer-term planning to take place.

Mairi Spowage & Joao Sousa  
Fraser of Allander Institute  
April 2025

**The Scottish Budget Process in Practice  
Professor David Bell FRSE  
University of Stirling  
and ESRC Centre for Population Change**

**April 2025**

**1. Introduction**

The Finance and Public Administration Committee (FPAC) launched an inquiry in February 2025 to review the Scottish budget process in practice.

- to establish the extent to which the four core objectives for the budget process are being met,
- to identify any barriers to meeting the core objectives and how these might be overcome,
- to establish how key documents aimed at supporting the full-year budget process are currently being used and where improvements might be made to support effective scrutiny,
- to determine whether the information, guidance and support provided to committees to assist budget scrutiny remains adequate and fit-for-purpose, and
- to identify any improvements that can be made to the budget process that can be put in place for the next parliamentary session (2026-31).

This paper addresses these questions.

**2. Achievement of the four core objectives**

The four core objectives set by the Budget Process Review Group in 2017 were:

1. to have greater influence on the formulation of the Scottish Government's budget proposals,
2. to improve transparency and raise public understanding and awareness of the budget,
3. to respond effectively to new fiscal and wider policy challenges, and
4. to lead to better outputs and outcomes, as measured against benchmarks and stated objectives.

These are discussed in the following sections:

## **2.1. Influence on formulation of Scottish Government budget proposals**

The consensus from the responses to this inquiry is that external influence on the Scottish Government's budget process is limited, whether that be from inside or outside Parliament. It is particularly limited during the period between publication of the draft budget and the passing of the budget bill.

The Budget Process Review Group (BPRG) encouraged parliamentary committees to engage in a strategic year-round approach to budget scrutiny rather than focussing on the period around the budget publication. The year-round approach is problematic, given other pressure on committees.

Appendix 1 details the activities of the Health, Social Care and Sport Committee (HSCSC) in relation to the 2025-26 budget alongside those of FPAC itself. It shows that both committees expended substantial time and energy to provide critical input to the 2025-26 budget process.

Scrutiny of the 2025-26 budget was hampered by the lack of a longer-term anchor, due to the absence of a 2024 Medium-Term Financial Strategy (MTFS). This was delayed by a change in leadership of the Scottish Government and the UK election. It has been further delayed by the UK Spending Review which is due later this year. Its absence severely constrained FPAC's budget scrutiny activity. In turn, this weakened the ability of the Scottish Parliament to influence the budget proposals.

Pre-budget assessments of the trajectory of Scotland's public spending and taxation will only be effective if those wishing to comment have appropriate and timely information, some of which is controlled by SG, some by the UK Government, and some that is not readily available due to weaknesses in data provision. Given their packed agenda, it is not surprising that committees concentrate on issues of more tactical than strategic significance. Thus, for example, the HSCSC decided to focus its 2025-26 pre-budget scrutiny on the financial position of integration joint boards (IJBs). At the time, IJBs were under severe financial pressure, as highlighted by Audit Scotland in July 2024<sup>5</sup>. Hence the understandable decision by the committee to focus on this issue. Nevertheless, this approach meant the committee inquiry was mainly concerned with issues of current significance rather than on the long-term challenges as highlighted, for example, by the Scottish Fiscal Commission (SFC). Solutions offered to current problems tend to work within existing structures, whereas more strategic questions are more likely to invite questions about whether existing structures are fit for purpose.

This year's FPAC Guidance for Committees<sup>6</sup> posed challenges to those inside and outside parliament seeking to influence the budget presented to the Scottish Parliament. FPAC's guidance suggests that committees, could if so inclined, offer alternative budgets at Stage 1 of the budget process:

*“Committees are encouraged to take a view on whether they are content with how the Scottish Government has responded to their pre-budget report, based on the Budget document, the formal Ministerial response, and any oral evidence with the relevant Cabinet Secretary/Minister. If any committee is not happy with how the Scottish Government has responded, it has the option of proposing alternative revenue and spending proposals by lodging a reasoned amendment to the Scottish Government motion on the general principles of the Bill (Stage 1).”*

However, none of the committees took up this offer. Whether this signalled satisfaction with SG proposals is unclear. It may be that committees felt they did not have the necessary capacity to construct a fully costed alternative proposal in the time available.

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<sup>5</sup> Audit Scotland (2024) [Integration joint boards finance and performance 2024](#)

<sup>6</sup> Finance and Public Administration Committee (2024) [Budget Process 2025-26: guidance for committees](#)

NGOs and other groups seeking to influence the budget are essentially engaged in a zero-sum game, particularly after the publication of the draft budget: increased funding to support their interests will necessarily come from elsewhere in SG spending plans. Making this trade-off explicit, the 2025-26 FPAC guidance stated that:

*“This parliamentary session, the FPA Committee has taken the approach of asking witnesses when they propose additional spend in certain areas, to also say from which budget lines or tax increases these funds should come from.”*

The reputational costs associated with having to propose compensating cuts to offset increased spending in support of their own interests poses a significant challenge to NGOs and others lobbying for changes to the budget which is likely to mute attempts to influence the budget by such sources.

Given the current fiscal framework, a process which involves only marginal changes following publication of the draft budget is probably optimal: the budget process is so compressed that there is insufficient time to adequately consider the broader implications of significant budget changes during this period. Influence on financial allocations is best exercised prior to the publication of the draft budget, rather than during the journey to legislation. Thus, for example, the final 2025-26 budget bill passed by the Scottish Parliament in April 2025 was only £16.7m (0.03% of overall spending) different from the total included in the draft budget.

Questions put to the health minister by HSCSC after publication of the draft budget focused on the size of the allocation for the forthcoming year, only tangentially dealing with IJBs and not at all with the strategic challenges facing health and social care funding. This may be understandable given the political nature of such encounters. But committees are concerned with strategic issues. These tend to be sidelined during the budget process. Appendix 2 roughly divides the responses raised in their scrutiny reports by each committee into short-term and long-term issues. Each committee raises some longer-term strategic issues, but these long-term issues seem to be lost in the intense debate that surrounds the announcement and subsequent passage of the budget bill. Taking the various components of the budget process together, it is not clear that committees have succeeded in encouraging SG to provide a clear rationale as to how the budget aligns with other key components of its policy framework. In particular, interactions between committees and SG has not demonstrably enhanced the response to new fiscal and policy challenges as recommended by the Budget Policy Review Group (BPRG)<sup>7</sup> in 2017.

## 2.2. Transparency - enhancing clarity and public understanding of the Budget.

The Scottish Human Rights Commission<sup>8</sup> (SHRC) used the Open Budget Survey, the only internationally accepted objective research instrument for assessing transparency, public participation and budget oversight, to assess the transparency of Scotland's budget process. Compared with the national budget process in a range

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<sup>7</sup> Budget Policy Review Group (2017) [Final Report](#)

<sup>8</sup> Scottish Human Rights Commission (2024) [Scotland's Open Budget Survey 2023](#)

of OECD countries, Scotland scored above average (60 versus 45) on *transparency*, well above average on *public participation* (43 versus 22) and highest on *budget oversight* (91 versus 74). Comparator countries included the Nordics, France, Germany, Canada, Italy, Spain and the USA. Scotland's 2023 score also represented a significant improvement on a similar exercise carried out in 2019. However, lack of progress in some domains, which mirrored concerns elsewhere, was noted:

*“Although progress is being made to consider Scotland’s National Outcomes in supplementary budget documents, it is still very superficial. The Executive Budget Proposal is not presented in a way that allows for read across to the National Outcomes, which makes it very hard to connect budget to impact and outcomes.” (P 28)*

The Open Budget Survey is process oriented, focusing on the provision and dissemination of timely information and the design of institutions. Thus, it welcomed the establishment and accreditation of the SFC and the production of a guide to the 2025/26 Scottish budget by SG<sup>9</sup>. The guide explains how the Scottish Government spends its money, how it raises taxes and how the Fiscal Framework works. Nevertheless, these are inherently complex issues and to be fully understood require familiarity with a range of financial concepts: it is important that future versions of this publication ensure that the language is clear and readily understandable to most of the population. In this context, civil participation requires a degree of financial literacy, a topic which is usefully included in the Curriculum for Excellence.

The Programme for Government (PfG)<sup>10</sup> is also a clear document setting out governmental priorities over the next year. What is not clear is how the PfG relates to the budget and how specific changes in budget allocations reflect PfG priorities.

There were some mentions of current and past PfGs in the 2025-26 Budget, but how these related to specific sums and measurable outcomes was largely unclear. For example, the 2024 PfG committed to increased economic growth: but the only reference to this in the budget was an allocation of a £15m “Enterprise Package” to support entrepreneurship. Yet, the budgets of Scottish Enterprise, Highlands and Islands Enterprise and South of Scotland Enterprise increased by 0.6%, 0.5% and 0.9% respectively, well below the rate of inflation, even though for each of these bodies, economic growth is a primary objective. The overall effect of budget measures on economic growth would be extremely complex to evaluate, but there is a strong case for combining relevant expenditures and discussing plausible scenarios as to how these expenditures might together influence the desired outcome – higher economic growth.

Sustainable economic growth is one of the objectives of the Scottish Government. It is one of the First Minister’s “four priorities”, is the basis of the National Strategy for Economic Transformation (NSET)<sup>11</sup> and is also central to the National Performance Framework (NPF). The NPF receives relatively little attention in the budget process,

<sup>9</sup> Scottish Government (2024) [“Scottish Budget 2025 to 2026: Your Scotland, Your Finances-a guide”](#)

<sup>10</sup> Scottish Government (2024) [Programme for Government](#)

<sup>11</sup> Scottish Government (2022) [“Scotland’s National Strategy for Economic Transformation”](#)

though it was intended to set Scotland's desired outcomes across a range of domains. Progress towards NPF outcomes would therefore seem to be a logical route of influence on budgetary decisions. Yet, links between the current version of the NPF and the budgetary process are difficult to evaluate. It is not clear how, for example, increased sustainable growth relates to budget choices, where attention is focussed on inputs (money committed) rather than outputs. Several of the committees criticised the lack of information on outputs included in the SG budget documentation. The current version of the NPF is under review: hopefully the next version will be informed by such criticism.

### 2.3. Responsiveness to new fiscal and wider policy challenges

The recent fiscal sustainability report issued by the SFC argues that Scotland's current budget trajectory is unsustainable and suggests that "Scottish devolved public spending would have to be reduced by 1.2% each year compared to projected spending to balance the budget"<sup>12</sup> This is largely driven by projected increases in spending on health, social care and social security. The Office for Budget Responsibility (OBR) deems that UK public finances are also not on a sustainable trajectory. Any action that UK government takes to reduce debt to, for example, pre-pandemic levels, would substantially increase the necessary reduction in Scotland's public spending due to the operation of block grant adjustments (BGAs) as defined in the current Fiscal Framework<sup>13</sup>.

The SFC and OBR projections were based on conditions prior to the possible imposition of widespread tariffs by the US government which threaten to upend existing trade relationships worldwide. The consensus is that these are likely to depress economic growth in the short to medium-term, thus exacerbating the fiscal pressures that the Scottish Government will face.

In addition, the recently published 2022-based population projections for Scotland suggest that, for every ten people of working age in 2025, there will be 3 people aged over 65 for every 10 of working age, while by 2035, there will be 3.7 aged over 65 for each 10 of working age, again posing a challenge to the future maintenance of Scotland's public services.

These developments suggest that there is a greater need to build resilience into the Scottish budget. Such resilience will only come about if those involved in the budget process are well-informed and able to address the long-run challenges that Scotland faces as well as dealing with short-run problems. To enable this the Scottish Parliament's budget process must be able to pressurise the Scottish Government into building a coherent financial framework to meet such challenges.

## 3. Barriers to meeting core objectives and how these might be overcome

This section deals with what is probably not an exhaustive list of the barriers to meeting the core objectives. Nevertheless, it concentrates on four such barriers: (1) data (2) timing and (3) capacity and (4) public participation.

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<sup>12</sup> Scottish Fiscal Commission (2025) [Fiscal Sustainability Report](#)

<sup>13</sup> For example, cuts at UK level in spending on services covered by the Barnett Formula would trigger reductions in Scotland's block grant, while increases in taxation or decreases in social security would trigger downward pressure on Scotland's budget through the operation of Block Grant Adjustments.



### 3.1. Data

Lack of relevant, objective and timely data is a barrier to meeting the core objectives of the budget process. This is particularly the case in relation to measuring outcomes. Lack of such data has been the subject of repeated criticism by committees. Some specific examples include:

1. Scotland, unlike England, does not have a longitudinal pupil database that would enable it to follow pupil progress over time and link to other administrative datasets that could then follow progress into the jobs market.
2. Again, unlike England, Scotland has no longitudinal study of aging that could help explain how social and economic conditions influence changes in the demand for NHS services, which are largely concentrated on older people.

With these and other sources of reliable data, committees would be better placed to interrogate SG claims about the impact of current and past budgetary decisions on observable outcomes. The emphasis on the effects of *past* decisions is important in that changing to a “preventative” approach in socio-economic spending programmes generally implies that current benefits are dependent on past spending programmes. For example, spending on child support may be reflected later in reduced demands on the criminal justice system.

Much of the dissatisfaction with lack of information on outcomes centres on the inadequacy of data that can be linked the national outcomes contained in the NPF. Whereas it is currently under review, there is a respectable corpus of research, academic and otherwise, that relates to outcomes close to, if not identical to, elements of the NPF. For example, in relation to income and inequality, the Institute for Fiscal Studies report on “Employment, earnings and income in Scotland”<sup>14</sup> provides useful measures of poverty and inequality, including geographic inequality in Scotland, based on high-quality statistical surveys. Such publications provide alternatives to SG data to which committees might turn. There are also increasing sources of useful information from private companies such as the Mastercard index of inclusive growth<sup>15</sup>. AI will significantly expand opportunities for similar datasets to become available, and the Parliament should aid committees so that they can take advantage of such new information.

### 3.2. Timing

The timing of the budget process also presents significant challenges to the effectiveness of Scotland’s budget process. Whereas the process generally begins with FPAC releasing its budget scrutiny guidance<sup>16</sup> in June prior to the UK Autumn Statement, the processes necessary to form, assess and implement Scotland’s budget must be completed between the publication of the UK Autumn Statement and the passing of the Budget (Scotland) Act no later than early April in the following year. The length of the components of these processes for the years 2016/17 to 2025/26 (excluding pandemic years) is shown in Figure 2 below. On average, SG has taken 30 days to form the Scottish Budget following the UK Autumn Statement, giving Parliamentary committees 44 days to consider its proposals, with the

<sup>14</sup> Institute for Fiscal Studies (2023) “[Employment, earnings and income in Scotland](#)”

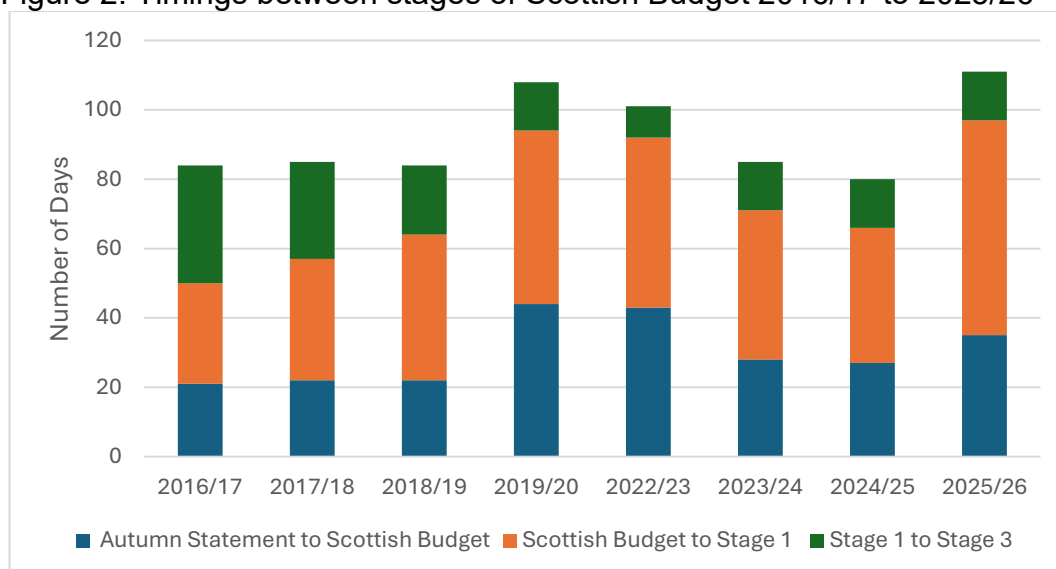
<sup>15</sup> Mastercard (2024) “[Inclusive Growth Score](#)”

<sup>16</sup> Finance and Public Administration Committee ((2024) [Budget Process 2025-26 Guidance for Committee](#)



legislative components being completed in an average of 18 days. Each of these processes is somewhat rushed, which is not conducive to measured decision making.

Figure 2: Timings between stages of Scottish Budget 2016/17 to 2025/26



Since 2016/17, the Scottish Parliament has gained significant additional tax and social security powers. These have increased the load on SG to produce the budget and on the Parliament to scrutinise it. A further complication in the timing process was the establishment of the SFC as a statutory body in 2017, part of whose role is to produce forecasts that underpin the Scottish Budget.

This process adds further on time pressures during the period during which SG is constructing the draft budget. These additional powers have added further to the time pressures in progressing the Scottish budget but the UK Government has not perceptibly altered the timing of the Autumn Statement to provide more time for more involved budget processes in the devolved nations.

Concern over timing is not unique to Scotland, even though it has more fiscal powers than Wales or Northern Ireland: the Welsh Finance Committee, in its scrutiny of the 2025-26 budget, also discusses the constraints imposed by the UK fiscal timetable, while hoping that the publication of the UK Spending Review will give more foresight of spending plans and therefore enable a less tight timetable for budget setting and scrutiny going forward<sup>17</sup>.

### 3.3. Capacity

Another barrier to meeting the core objectives of the budget is resource constraints. Due to the plethora of committees and the relatively small numbers of non-ministerial MSPs, many sit on more than one committee. This places a strain on their capacity to engage with new material or responsibilities. SPICe supplies a great deal of excellent material to MSPs and can also leverage academic support, but its resources are small relative to those of SG and its associated agencies. Expanding budget scrutiny processes implies a need for additional resource. However, AI

<sup>17</sup> Finance Committee Welsh Parliament (2025) [Scrutiny of the Welsh government Draft Budget 2025-26](#).

potentially provides an opportunity to substantially enhance productivity both of members and parliamentary staff.

### 3.4. Public Participation

Civic involvement with Scotland's budgetary process is modest, though perhaps increasing with the publication of an accessible guide of the process. More "hands on" engagement with the budgetary process has been limited. Yet Scotland has one of the most successful records of participatory budgeting among advanced nations. Yet this has been almost exclusively at a local authority level. By 2021 Scottish councils had allocated over £154m through participatory budgeting, 1.4% of available budgets<sup>18</sup>. While this initiative has been supported by the Scottish Government and has encouraged civic engagement with the budgetary process, there is, apparently no intention to extend participatory budgeting to the Scottish budget.

### 4. Key documents supporting the full-year budget process and how improvements could be made

The supporting documents referred to in "Budget Process 2025-26: Guidance for Committees" comprise:

- First Ministers Priorities for Scotland
- Scottish Fiscal Commission's Fiscal Sustainability Reports
- Medium Term Financial Strategy and Scottish Fiscal Commission forecasts
- Capital expenditure – Infrastructure Investment Programme
- Public service reform
- Public sector pay policy 2024-25
- National Performance Framework: National Outcomes

SG also produces the fiscal framework outturn report<sup>19</sup> which is a technical document describing how the Scottish budget is adjusted as new information becomes available. For example, data on Scotland's income tax revenue is not fully available until well after the end of the relevant tax year. It is forecast when the draught budget is released and adjustments made when the correct figure is known. There are also documents produced by the UK Government, such as the Autumn Budget<sup>20</sup>, the Statement of Funding Policy<sup>21</sup> that aid understanding of how the Scottish budget is constructed.

Some of these documents are annual, while other are more specific to current concerns that may, or may not, carry over into the next Parliament. Yet the broad themes that the documents cover are unlikely to disappear and will continue to be of interest to committees. For some committees, particularly those concerned with health and education, UK Pay Review reports could usefully add to understanding of pressures on budgets arising from wages and salaries.

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<sup>18</sup> COSLA (2021) "[Participatory budgeting milestone reached](#)"

<sup>19</sup> Scottish Government (2024) "[Fiscal framework outturn report: 2024](#)"

<sup>20</sup> HM Treasury (2024) "[Autumn Budget 2024](#)"

<sup>21</sup> HM Treasury (2024) "[Statement of Funding Policy addendum](#)"

The MTFS will be a key document for the next Parliament. It has been delayed for a variety of reasons, the most recent being the imminent publication of the UK Spending Review. The UK Spending Review is a comprehensive “zero-based” review that is forcing departments to justify the entirety of their spending, rather than the increment requested relative to last year’s baseline. It will involve “challenge” panels” including experts from the private sector and academia who will scrutinize departmental spending plans. This more radical approach to justifying public sector spending may have consequences for Scotland through the operation of the Barnett formula if “comparable” departments are affected. The UK Spending Review will set resource budgets for a three-year period and capital budgets for five years, which in turn will inform the MTFS and should provide greater stability for budgetary planning in Scotland.

The already mentioned SG guide to the Scottish budget<sup>22</sup> explains most of the mechanisms underlying the determination of Scotland’s budget. It also describes other parts of the SG policy framework including the Medium-Term Financial Strategy (MTFS), the PfG and the NPF. However, it fails to explain how these form a coherent programme that brings together the budget with the fiscal scenarios described in the MTFS, the PfG and the measured outcomes described in the NPF. Neither does it explain how NPF measurements are fed back into the policymaking process to ensure that subsequent budgets ensure that resources are used effectively and efficiently to promote NPF outcomes to the benefit of the Scottish population.

The budget guide lists the three SG priority “missions” – equality, opportunity and community, but does not relate these to the First Minister’s four “core priorities” - child poverty, improving the economy, tackling the climate crisis and improving public services. Whereas the missions and the core priorities clearly overlap, the combination of the NPF, the missions and the priorities may confuse committees seeking to understand how budget decisions align with apparently varied SG “priorities” and “missions”.

#### 5. The information, guidance and support provided to committees to assist budget scrutiny

There is already a large body of information related to the Scottish budget that committee members must absorb during budget scrutiny. What is confusing is the coherence of these documents. Rather than focussing on adding to this information, perhaps the committees should request that SG provides a summary, relevant to their area, of how it believes that its budgetary decisions influence outcomes across the NPF and other stated priorities.

There is also a reasonable concern that the budget process fails to give adequate prominence to longer-run strategic issues. One countervailing strategy might be to issue guidance asking committees to clearly distinguish between short-run and long-run concerns in their scrutiny reports. Subsequently aggregating the longer-run concerns into a separate document and requesting a specific response from SG on these issues may be a useful strategy to avoid

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<sup>22</sup> Scottish Government (2024) [“Scottish Budget 2025 to 2026: Your Scotland, Your finances - a guide”](#)

that part of the process that follows the publication of the draft budget focussing mainly on short-run concerns.

It should be noted that AI offers a considerable opportunity to assist in the collation of existing knowledge and the generation of new knowledge in relation to the budget process. It will help FPAC enhance its ability to scrutinise the budget even without additional contracted staff time, so long as appropriate training is available. SPICe provides an excellent service to support committees and will no doubt be able to assist in the dissemination of AI skills.

6. Improvements that can be made to the budget process that can be put in place for the next parliamentary session (2026-31).

Ensuring that the Scottish Budget has a greater focus on strategic issues should be a priority. This will aid the formation of more effective multi-year planning and improve responses to the significant long-run challenges that Scotland faces. As suggested in the previous section, one way to do this might be to ask committees to divide their scrutiny reports between longer term concerns and those associated with immediate issues. The short-term and longer-term scrutiny reports could then be presented to SG, and separate responses requested in relation to budgetary decisions.

Another approach would be for the next parliament to construct a separate forum for strategic issues. This could follow the Finnish practice which embeds foresight into its parliamentary processes. It has a "Committee of the Future" to which the government must present a "Report of the Future" each parliamentary term. The report is reviewed by this committee, so ensuring that long-term strategic thinking is embedded in national policymaking. The Scottish Parliament already has a [Futures Forum](#) which works to stimulate long-term debate on Scotland's challenges and opportunities. Although, its work has no direct impact on budgetary decisions, it could provide support for an annual parliamentary debate on Scotland's future.

Within these longer-term concerns it is worth noting that Social Security in Scotland is a demand-led budget that cannot be reliably predicted. With an MTFS in place, spending by other departments will be more predictable. If Social Security spending rises more quickly in Scotland than equivalent spending elsewhere, as predicted by SFC, then in the absence of significant borrowing powers, plans made by other departments will instead be disrupted. This issue is addressed at UK level by separating Annually Managed Expenditure (AME) and Departmental Expenditure Limits (DEL) within the budget. Social Security spending falls within AME and is dealt with separately by the Treasury. There may be a case for examining whether a division between AME and DEL would be useful within the Scottish budget, though this might necessitate revisiting the Fiscal Framework if changes to borrowing powers were considered appropriate.

As already mentioned, public understanding of Scotland's budget process would be enhanced if the Scottish Government itself became involved in participatory budgeting, rather than promoting it indirectly through local authorities. Decisions made by representative groups drawn from the population would substantially

increase public interest in the budget, even if the amounts involved were relatively small, since it would likely attract a considerable degree of media interest.

## Appendix 1 Scottish Budget 2025-26: Parliamentary Committee Activities

Month	Committee	
	<b>Finance and Public Administration Committee</b>	<b>Health, Social Care and Sport Committee</b>
Jun-24	Guidance for Committees on 2025-26 Budget Issued	
Jul-24	The Finance Committee agreed its approach to pre-budget scrutiny The committee decides to focus on medium and long-term financial planning, budget transparency, and taxation approaches	Committee decides to focus pre budget scrutiny on the financial position of integration joint boards (IJBs)
Aug-24	Pre-Budget Scrutiny Consultation Launch. The Finance Committee launched a formal consultation seeking views on: (1) The Scottish Government's approach to medium and long-term financial planning (2) Budget transparency and presentation (3) Taxation policy and fiscal framework issues	Formal consultation launched with invitations to submit evidence Audit Scotland makes formal submission based on their report on IJBS
Sep-24	The Finance Committee held formal evidence sessions with: Scottish Fiscal Commission representatives Economic experts from universities and think tanks Financial industry representatives These sessions focused on fiscal sustainability and economic forecasting	Responses received and analysed
Oct-24	The committee took evidence from Audit Scotland on their assessment of the Scottish Government's financial management Discussion focused on transparency in budget presentation and medium-term financial planning Recommendations provided for improving budget documentation	Formal evidence sessions
	The Convention of Scottish Local Authorities (COSLA) presented evidence on local government finance Discussions included council tax reform and the financial pressures facing local authorities COSLA representatives highlighted concerns about sustainable funding for local services	
Nov-24	The committee began drafting their pre-budget scrutiny report The report synthesized evidence from written submissions and oral evidence sessions Staff prepared analysis of key themes and recommendations	Evidence session with Audit Scotland

	Initial Budget Briefing. The committee received a technical briefing from Scottish Parliament Information Centre (SPICE) researchers This briefing provided independent analysis of the Budget's key features Committee members identified areas for detailed scrutiny	Pre- budget report preparation Publication of pre budget scrutiny report Including budget recommendations
Dec-24	Scottish budget published Initial budget briefing from SPICE researchers	
	The Finance Committee held a series of evidence sessions with: (1) Scottish Fiscal Commission on their economic and fiscal forecasts; (2) Economists and fiscal experts on the Budget's implications (3) Business and third sector representatives on the Budget's impact	Post budget scrutiny by committee
Jan-25	The committee published their comprehensive report on Budget Scrutiny 2025-26 The report raised several significant concerns: Continuing issues regarding the Scottish Government's lack of medium and long-term financial planning Repeated delays in publishing key strategic financial documents The need for improved quality in government responses to committee reports Lack of a clear pathway forward for council tax reform	Evidence session with health and social care officials
	Scottish Government's Response to Finance Committee (February 15, 2025) The response addressed committee concerns about financial planning The government outlined plans for the Fiscal Sustainability Delivery Plan Commitments were made to consider improvements in budget presentation Updates were provided on council tax reform	Evidence session with cabinet secretary
Feb-25	Stage 1 Debate on Budget Bill (February 28, 2025) The Finance Committee led the parliamentary debate on the principles of the Budget Bill The debate was informed by the committee's report and the government's response Committee members played a key role in questioning the government's approach	Scrutiny report on health and social care elements of 2025-26 budget
Mar-25	Stage 2 ((1) Consideration of Budget Bill (2) The Finance Committee conducted detailed scrutiny of the Budget Bill (3) Amendments were considered and voted on line-by-line examination of budget allocations	Scottish Government provides formal response to the scrutiny report
	Stages 2-3 proceedings of budget bill	

Apr-25	2025-26 budget takes effect following Royal Assent	
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## Appendix 2: Summary of Scottish Parliament Committee Scrutiny Reports on the 2025/26 Budget

This appendix was generated by AI. It summarizes the scrutiny reports submitted by Scottish Parliament committees in response to the request from the Finance and Public Administration Committee regarding the forthcoming 2025/26 Scottish budget. The summaries are organized by committee and highlight both short-term (next year) and longer-term concerns raised in each report.

### Constitution, Europe, External Affairs and Culture Committee

**Focus Areas:** Culture budgets and funding clarity

#### Short-term Concerns:

- Lack of clarity over future funding from the Scottish Government for the culture sector
- Confirmation of a further £34.2 million in 2025-2026 for culture, taking additional funding to £50 million

#### Longer-term Concerns:

- Progress toward the commitment of an additional £100 million for culture by 2028-2029
- The need for frontloaded funding to provide certainty to the sector
- Allocation of £20 million to Creative Scotland for their multi-year funding programme to support diverse organizations across Scotland

### Criminal Justice Committee

**Focus Areas:** Financial pressures in the criminal justice sector and investment priorities

#### Short-term Concerns:

- Pressure on capital budgets and investment in frontline justice services
- Need for additional money for the criminal justice system and Scottish Fire and Rescue Service
- Evidence that relatively small sums of money invested on a "spend to save" basis could make significant differences

#### Longer-term Concerns:

- Need for a revamped and joined-up sector-wide vision for the justice system
- Recommendation for sustained progress to reduce inefficiencies across the justice system
- Support for reforms required for the longer term while addressing immediate funding needs



## Economy and Fair Work Committee

**Focus Areas:** Enterprise Agencies, Scottish National Investment Bank (SNIB), and VisitScotland

### Short-term Concerns:

- Importance of "sufficient and effectively deployed capital spend" to meet economic growth, net zero, and public service delivery ambitions
- Increased capital and financial transaction budgets for Enterprise Agencies and SNIB
- Maintaining VisitScotland's resource budget and expanding the Rural Tourism Infrastructure Fund to £4 million

### Longer-term Concerns:

- Supporting capital investment in Scotland's places and industries of the future
- Funding for the Enterprise Package to drive delivery of the next phase of Scotland as a rapidly growing start-up economy
- Implementation of Ana Stewart's recommendations to expand women starting and scaling businesses
- Protecting funding for Employability to address child poverty and the disability employment gap

## Education, Children and Young People Committee

**Focus Areas:** Financial support for further and higher education institutions

### Short-term Concerns:

- Need for clarity of expectations to be communicated to colleges about resource prioritization
- Investment of over £2 billion in post-school education in the 2025-26 Scottish Budget
- Important increases in resource funding to both university and college sectors

### Longer-term Concerns:

- Long-term sustainability of Scottish Government funding for universities
- Impact of increases to employer contributions to the Scottish Teachers Superannuation Scheme
- Reductions to the budget allocation for student mental health and wellbeing

## Equalities, Human Rights and Civil Justice Committee

**Focus Areas:** Transparency in human rights budgeting and National Outcomes

### Short-term Concerns:

- Transparency in the context of human rights budgeting
- Role of National Outcomes in supporting transparent and data-driven decision-making
- Mainstreaming of equalities in budget decisions

**Longer-term Concerns:**

- Commitment to continuing to advance approaches to equality and human rights budgeting
- Implementation of recommendations from the Equality and Human Rights Budget Advisory Group
- Progress across all three areas of Open Budgeting (transparency, participation, and oversight)

Finance and Public Administration Committee

**Focus Areas:** Strategic financial planning and fiscal sustainability

**Short-term Concerns:**

- Need for a more strategic and transparent approach to funding by the UK Government
- Improved working relationship with the UK Government and clarity on funding levels
- Public Sector Pay and the need for an annual Public Sector Pay Policy alongside the Scottish Budget

**Longer-term Concerns:**

- Medium to long-term position in light of pressures facing public finances
- Sustainability of Scotland's finances and public service reform
- Development of a Medium-Term Financial Strategy (MTFS) after the UK Government's Spending Review
- Options for a Scottish Spending Review, including timing and rhythm

Health, Social Care and Sport Committee

**Focus Areas:** Financial position of Integration Joint Boards (IJBs)

**Short-term Concerns:**

- Financial performance of IJBs and challenges from current financial arrangements
- Increased funding to frontline justice organizations in the 2025-26 Justice & Home Affairs budget
- Steps to improve funding certainty for IJBs, including issuing 80% of budget allocations within quarter 1
- Baseline allocations for key deliverables such as the Mental Health Outcomes Framework and Multi-Disciplinary Teams

**Longer-term Concerns:**

- Impact of funding uncertainty on IJBs' ability to plan for the longer term
- Integration of budgets for IJBs and remaining issues in fully integrating budgets
- Recommendations around prevention and prioritization of resources for preventative and upstream investment
- Need for good data availability and data sharing arrangements for budget decision-making
- National Care Service reform to support longer-term reform and workforce planning

Local Government, Housing and Planning Committee

**Focus Areas:** Sustainability of local government finance

**Short-term Concerns:**

- Capital investment, borrowing, and reserves in local government finance
- Progress made in the 2024-25 Scottish Budget through the baselining of almost £1 billion of funding across multiple sectors
- Joint accountability between Scottish and Local Government for shared priorities

**Longer-term Concerns:**

- Need to transform service delivery for long-term sustainability of local government finance
- Renewed focus on Public Sector Reform (PSR) through a 10-year programme
- Development of a Fiscal Framework with Local Government
- Shift away from ring-fencing funding and toward greater local flexibility