

Finance and Public Administration Committee

Tuesday 17 February 2026

Spring Budget Revision, 2025-26

The Spring Budget Revision (SBR) amends the Budget (Scotland) Act 2025 which authorises the Scottish Government's spending plans for financial year 2025-26. It is the second of two in-year opportunities for the Scottish Government to alter 2025-26 spending plans.

The Scottish Government published the [Budget \(Scotland\) Act 2025 Amendment Regulations 2026](#) on 22 January 2026. This was accompanied by a [supporting document setting out the proposed changes at levels 2 and levels 3](#). The Scottish Government has also issued a Finance Update (previously referred to as the guide), which members have received. This contains additional and more up-to-date information than the supporting document.

The proposed changes in the SBR result in an increase in the approved budget of £3,394.9 million from £63,128.7 million to £64,526.8 million. The changes can be summarised as follows:

- Funding changes to reflect deployment of available resources to portfolios which decreases the budget by £462.2 million;
- Whitehall transfers and HM Treasury allocations of £79.5 million;
- Technical adjustments increasing the budget by £3,777.6 million;
- The transfer of resources between Scottish Government portfolios and public bodies which are budget neutral in aggregate.

This paper summarises some of the key areas for discussion with the Minister.

Funding Changes

The SBR funding changes by portfolio are presented in Table 1 below. The table also includes four small changes involving the Scottish Housing Regulator, the Scottish Courts and Tribunals Service, Revenue Scotland, and Environmental Services Scotland. Table 1 shows the Scottish Government's choices by portfolio for increased or decreased resources in 2025-26.

Table 1: Funding changes by Portfolio

Scottish Government Portfolios	Funding Additions	Funding Reductions	Net Funding Changes
Health and Social Care	123.0	0.0	123.0
Finance and Local Government	252.1	(12.4)	239.7
Social Justice	74.0	(300.2)	(226.2)
Education and Skills	36.4	(25.2)	11.3
Justice and Home Affairs	30.4	(350.0)	(319.6)
Transport	15.3	(72.0)	(56.7)
Rural Affairs, Land Reform and Islands	16.0	(5.4)	10.6
Climate Action and Energy	0	(157.5)	(157.5)
Deputy First Minister, Economy and Gaelic	34.8	(113.9)	(79.2)
Constitution, External Affairs and Culture	0	0.0	0.0
Housing	36.0	(42.0)	(6.0)
Crown Office and Procurator Fiscal Service	0	0.0	0.0
Scottish Government	618.0	(1,078.6)	(460.6)
Scottish Housing Regulator	0	(0.1)	(0.1)
Scottish Courts and Tribunals Service	0.2	0.0	0.2
Revenue Scotland	0.0	(0.9)	(0.9)
Environmental Standards Scotland	0.0	(0.1)	(0.1)
Total Scottish Administration	618.3	(1,080.5)	(461.4)

Funding increases

The guide provides some additional details of the funding changes. The largest increase goes to the **Health and Social Care portfolio**, with £100 million of additional resource funding and £23 million in additional capital funding. The guide notes that £75 million is being provided to support health services in managing demand and inflationary pressures, while the remaining £25 million resource funding is for Clinical Negligence and Other Risk Indemnity Scheme payments. The £23 million in capital funding is for research and development costs (paragraphs 9 and 10 of the guide).

The **Finance and Local Government portfolio** receives an additional £252.1 million. £200 million will be held as contingency for year-end audit adjustments, and managing any changes in demand led schemes and devolved tax receipts. The guide notes that:

“Within the 2026-27 Scottish Budget there is currently a £150 million Scotland Reserve carry forward assumption supporting the overall resource funding envelope. £52 million of this included within the contingency figure. Further underspends, as the financial year concludes will be utilised to support this assumption.”

(paragraphs 11 - 13 of the guide).

The **Social Justice portfolio** receives an additional £74 million, reflecting increased forecasts benefit expenditure from the SFC. The guide sets out the benefits driving this increase:

Benefit	Budget Change
Pension Age Winter Heating Payment	45.5
Pension Age Disability Payment	17.0
Scottish Adult Disability Living Allowance	11.4
Severe Disablement Allowance	0.1
Total forecast increases	74.0

The pension age winter heating payment increase is “primarily” due to the grossing up of the benefit. The Scottish Government had assumed that the payment would only be made to those earning less than £35,000. The Scottish and UK Governments have agreed to make the payments to everyone, with clawback through individual tax codes or self-assessment returns. The block grant adjustment will also be provided on a gross basis, which the Scottish Government state will “effectively offset this increase”.

The forecast for Pension Age Disability Payment has increased to reflect higher than expected caseload growth, due to higher prevalence of disability among older people, and longer-term health impacts related to the Covid-19 pandemic.

Note – there is an overall net reduction in forecast benefit spend, which is set out in the reductions section.

The **Education and Skills portfolio** receives £36.4 million in additional funding. This funding comprises £11.4 million capital funding reclassified to resource to cover college maintenance, £10 million to address ‘wider portfolio pressures’, and £15 million in financial transactions for the Scottish Funding Council. (paragraph 19 of the guide).

The **Housing portfolio** receives £36 million in capital funding for the Affordable Housing Supply Programme (paragraph 30 of the guide).

The **Justice and Home Affairs portfolio** receives an additional £30.4 million. £24.7 million relates to costs associated with the recent visits of the President and Vice President of the United States. A further £5.5 million of the resource budget is

provided to the Scottish Police Authority to meet the costs of the pay agreement (paragraphs 20 and 21 of the guide).

£15.3 million is provided to the **Transport Portfolio**. £10 million relates to an increase in the forecast cost of Concessionary Fares, and £5.3 million is capital funding for Caledonian Maritime Assets Ltd to offset lower than anticipated capital receipts (paragraph 22 of the guide).

The **Rural Affairs, Land Reform and Islands portfolio** receives an increase of £16 million. This is funding for the Marine Directorate for onward distribution to Local Government from the allocation of Crown Estate net revenues relating to income generated within 12 nautical miles of the coast. An [agreement is in place to allocate those revenues to coastal local authorities](#). (Paragraph 23 of the guide).

In the **Deputy First Minister, Economy and Gaelic portfolio** £34.8 million in additional funding is provided. comprising:

- £9.1 million for Redress Scotland to meet higher statutory scheme payments.
- £8.9 million to support the operation costs of the Scottish Child Abuse Inquiry, with the guide noting that this “supports the commitment to fully fund an independent inquiry into historical abuse in care”.
- £4.4 million to Highlands and Islands Enterprise for the Island Resilience Fund.
- £4.1 million for the Strategic Commercial Assets Division resource budget to support Alexander Dennis’ company furlough scheme.
- £2.5 million for the six point export plan.
- £2.4 million for the Government Business and Constitutional Relations. Of this, £1.3 million will support delivery of the new eCounting system for local government elections which the Scottish Government procures and manages in partnership with local authorities. A further £1.1 million covers the costs of accessing the UK online absent-voting application for the Scottish Parliament election in May 2026. (paragraphs 24 – 29 of the guide).

Funding reductions

The largest reduction falls on the **Justice and Home Affairs portfolio**, which is reduced by £350 million. This relates to the agreement between HM Treasury and the Scottish Government to reclassify funding for Police and Fire pensions from DEL to AME. This means that the block grant is reduced by £350 million per annum from 2025-26 onwards, with these costs instead borne in the AME budget. The guide notes that:

“The transfer of the costs of these pensions scheme to AME brings the treatment in line with UK Consolidated Budgeting Guidance and other unfunded pension schemes. There is a corresponding technical adjustment in AME to reflect the change in classification, meaning the change has no net impact on discretionary spending.” (Paragraph 31 of the guide)

The **Social Justice portfolio** has funding reductions totalling £300.2 million, with £298 million of this reflecting lower forecasted social security expenditure. The guide provides a table setting out the changes by benefit:

Benefit	Budget Change
Adult Disability Payment	(208.2)
Child Disability Payment	(32.7)
Carer Support Payment	(21.3)
Scottish Child Payment	(13.9)
Two Child Limit Payment	(11.3)
Best Start Foods	(2.5)
Best Start Grant	(2.5)
Industrial Injuries Disablement Scheme	(2.3)
Carers Allowance Supplement	(1.8)
Funeral Support Payment	(1.2)
Child Winter Heating Payment	(0.2)
Job Start Payment	(0.1)
Total forecast decreases	(298.0)

The £208.2 million reduction in funding for the Adult Disability Payment reflects fewer than anticipated authorities applications, as well as a great volume of people exiting the payment than had been assumed. Similarly, the £32.7 million reduction in funding for the Child Disability Payment reflects fewer 17 and 18 year olds remaining on CDP than had been expected. (Paragraphs 32 – 37 of the guide).

The **Climate Action and Energy portfolio** has funding reductions totalling £157.5 million. The guide states that this largely relates to slippage in planned capital spending due to higher costs of capital and ongoing uncertainty on the offshore wind sector; Offshore Wind is reduced by £102.9 million reflecting these factors. Other reductions include:

- the Energy Transitions capital budget has been reduced by £25.2 million with an accompanying resource budget reduction of £4.7 million. This includes underspends in the Grangemouth Just Transition Fund of £16.5 million and £7.3 million for Hydrogen Capital Programme.
- Environmental Services funding is reduced by £15.8 million
- £3.5 million reductions relating to Scottish Water, due to higher than expected interest income due to sustained higher interest rates. (Paragraphs 38 and 39 of the guide)

The **Deputy First Minister, Economy and Gaelic portfolio** has total funding reductions of £113.9 million. Most (£100 million) of this reflects additional income from European Structural Funds Programmes. The guide notes that these recoveries remain subject to change until final EU checks are completed. Highlands and Islands Enterprise have also returned £6.1 million in funding due to delays in capital projects, and the Covid-19 inquiry has returned £2.7 million in funding reflecting in-year budget reprofiling (paragraph 40 and 41 of the guide).

The **Transport portfolio** sees funding reductions of £72 million, which also largely reflect underspends in capital projects. Ferry Services has been reduced by £38.4

million. This is driven by reprofiling of vessel procurement and harbour works, drydock repairs and a reduction to resilience payments required. Sustainable Travel, Low Carbon and Other Transport projects have decreased by £33.1 million with reprofiled spend into future years and Rail Services reduced by £0.5 million. (paragraph 42 of the guide).

There are several small reductions:

- The **Housing portfolio** is reduced by £42 million, reflecting reduced demand for Heat in Buildings capital expenditure (£27 million) and increased financial transactions receipts (£15 million, paragraph 43 of the guide)
- The **Education and Skills portfolio** has funding reductions totalling £25.2 million, with £13.7 million relating to a reclassification from capital to resource within the Scottish Funding Council budget, and a further £11.5 million in capital savings (paragraph 44).
- In the **Finance and Local Government portfolio**, the Invest to Save fund is reduced by £12.4 million reflecting several projects being “less delivery ready than initially anticipated” (paragraph 45 of the guide).
- Reductions in the **Rural Affairs, Land Reform and Islands portfolio** total £5.4 million, reflecting £3.1 million capital slippage on the Royal Botanic Gardens Energy Centre, and various other minor savings (paragraph 46 of the guide).

Technical Adjustments

Technical adjustments increase the net Budget by £3,777.6 million. The most significant driver of this relates to a change in the valuation of student loans within the **Education and Skills portfolio**; this increases the Student Loan carrying value by £2,939 million. The guide notes that:

“This large movement follows the implementation of a new, more accurate, model for forecasting student loan repayments and changes to the discount factor applied for that valuation.

The drivers for the change in the estimated value of student loans are largely technical/methodological, rather than being driven by changes in economic conditions or policy. The Scottish Government, alongside other Devolved Administrations, moved to new set of student loan valuation models in December 2025 that considerably improve the accuracy of student loan repayment forecasts and thus the estimated value of student loans. The UK Government had adopted the model in 2022.”

A further £62.4 million of additional AME budget covers relates to student loans capital and capitalised interest requirements.

The **Justice and Home Affairs portfolio** has their AME budget increased by £340 million, reflecting the change in treatment of the Police and Fire Pensions discussed earlier.

The **Health and Social Care portfolio** has increased budget cover of £125.7 million. £103 million relates to changes in the scoring of Private Finance Initiatives (PFI) leases and donated assets. Additional depreciation budget is also provided (£49.8 million) as well as £5.1 million of AME budget relating to IFRS 16. These amounts are offset by a £32.2 million net reduction in non-cash AME requirements mainly relating to a reduction in the level of NHS impairments assumed at the time of the Scottish Budget being set.

The **Deputy First Minister, Economy and Gaelic portfolio** will receive £127.4 million of budget cover for other technical adjustments. This includes £80 million for the Scottish National Investment Bank to offset changes in the value of the bank's existing investments, and £45 million for the existing provision for Redress Statutory Scheme Payments, required as a result of increases in the expected number of applicants

There are 3 smaller technical adjustments:

- The **Climate Action and Energy portfolio** has net technical adjustments of £56.7 million, of which £55 million relates to an AME provision for potential liabilities associated with the Deposit Return Scheme.
- **Transport Scotland** have returned £12.6 million of working capital cash cover for the Scottish Rail Holdings, whilst Sustainable Travel, Low Carbon and Other Transport have received £1.2 million of non-cash AME budget to provide corporation tax cover for Scottish Canals.
- **Crown Office and Procurator Fiscal Service** have received £13.3 million in Non-Cash AME to cover an impairment arising from estate improvement works, including the decarbonisation project, which does not increase property value.

Whitehall transfers

There are eight portfolios impacted by Whitehall transfers contained in the SBR which increase spending by a net £79.5 million (paragraphs 47 – 52 of the guide).

- £85.3 million is being provided to the **Health and Social Care portfolio**, relating to AME cover for the Scottish Infected Blood Support Scheme interim payments (£71.3 million), Branded Medicines Pricing and Access funding (£10.9 million), and funding for Research Data Scotland (£1.8 million).
- Funding for the **Deputy First Minister, Economy and Gaelic portfolio** is reduced by £30.7 million. £47.8 million in funding for UK City Deals is being returned to HM Treasury, but will be reprofiled into future years. Funding for Green Freeports is also reduced by £6.3 million – the guide does not state the reasons for this or whether it will be reprofiled. These reductions are slightly offset by increases for Investment Zones (£14.4 million) and Project Gigabit (£6.3 million).
- The **Climate Action and Energy portfolio** receives £12.7 million relating to CARES Recovery programme (£10.3 million), Grangemouth Skills Intervention (£1.4 million), and Oil and Gas Regional Skills partnerships (£0.9 million).

- The **Housing portfolio** receives £8 million relating to a [CMA Housebuilding payment](#).
- Funding of £1.7 million is being provided to the **Finance and Local Government portfolio** for Regional Connectivity.
- **Scottish Courts and Tribunals Service** receive £1.7 million relating to the devolution of Personal Independence Payment appeals from HM Courts and Tribunals Service.
- The **Social Justice portfolio** have received £0.4 million for Ukrainian Refugee Thank You Payments.
- The **Transport portfolio** received £0.4 million for A75 Union Connectivity Funding.

Internal transfers

There are several internal transfers between Budget lines which move budget provision within and between portfolios. These net to zero so do not affect the Scottish Government's budget but do reflect how spending priorities have shifted during the year.

The guide highlights the seven most significant internal transfers in the SBR:

- Transfer from Education and Skills to Local Government within the Finance and Local Government portfolio to support Teacher numbers (£186.5 million).
- Transfers from Transport to Local Government to fund grant payments to local authorities for the provision of Cycling, Walking and Safer Routes programme and Support for Inter-Island Ferries programme (£60.3 million).
- Transfer from Health and Social Care to Education and Skills for New Medical Places Funding at Scottish Universities (£22.7 million).
- Transfer from Health and Social Care to Education and Skills to support teaching fees (£20.0 million).
- Transfer from Climate Action and Energy to Deputy First Minister, Economy and Gaelic portfolio for Offshore Wind investment programme funding for Highlands and Islands Enterprise (£19.1 million).
- Transfer from Housing to Local Government within the Finance and Local Government portfolio to support the Scottish Government's Cladding Remediation Programme for the commissioning of Single Building Assessments (£15.4 million).
- Transfer from Health and Social Care to Education and Skills for Student teaching grants (£10.8 million).

Table 2: Internal transfers between portfolios, on a net basis

Portfolio	Net Transfer in the SBR
Health and Social Care	-£41.3 million
Social Justice	-£11.1 million
Education and Skills	-£156.1 million
Justice and Home Affairs	+£5.3 million
Transport	-£60.1 million
Rural Affairs, Land Reform and Islands	-£14.8 million

Climate Action and Energy	-£15.9 million
Finance and Local Government	+£267.0 million
Deputy First Minister, Economy and Gaelic	+£37.4 million
Housing	-£22.0 million

While internal transfers do net to zero, in some cases these transfers within portfolios are balanced with transfers to other bodies within the Scottish Block (this term includes the portfolios of the Scottish Government, the wider portfolios within the Scottish Administration such as the SFC and Revenue Scotland, and Audit Scotland and the SPCB). In the SBR, the internal transfers between portfolios listed in table 2 sum to a negative £13.2 million - £9.1 million is transferred to the Scottish Courts and Tribunals Service, £3.5 million to Food Standards Scotland, £0.3 million to Revenue Scotland and £0.3 million to the Scottish Parliament Corporate Body. This is shown in Table 1.2 in the guide, page 3.

Funding position

Tables 1.7 A to E set out how the total funding available to the Scottish Government has changed since the ABR. Table 1.7C sets out the total change in resource funding, which is a decrease of £197.3 million. The table shows that this is driven by three significant changes; reduced Barnett consequentials of £284.0 million, an increase to the social security block grant adjustment of £86.7 million, reduced block grant adjustment for devolved taxes of £29.1 million, a net increase to revenues from Landfill tax and LBTT of £16 million, and other adjustments totalling an increase of £13 million.

As mentioned earlier, £350 million of the reduced block grant is due to the reclassification of Police and Fire pensions, and is offset by an increase in the AME budget. Barnett consequentials arising from the UK Autumn Budget total a positive £44.7 million.

Table 1.7D sets out changes in capital funding, which in aggregate is £235.2 million lower. £188 million less in Scotwind Revenues is drawn down for the 2025-26 Budget than had been expected at the time of the ABR, funding for City Region Growth deals is reduced by £47.8 million due to a reprofiling into later years, while planned capital borrowing is reduced by £42 million.

Table 1.7E sets out the change in FT funding, which shows only minimal changes. The guide notes that:

“A small over-allocation of £2.2 million was presented in the SBR on the expectation that underspends or receipt of additional income was likely to emerge by the end of the financial year. This over-allocation was also offset by the larger under-allocation of capital budget noted above.”

Scotland Reserve

As members know, the Reserve position is always moveable and uncertain. The guide sets out the current forecast position in the table below. This shows the latest provisional outturn position

The Scotland Reserve has a limit of £700 million and following the conclusion of the Fiscal Framework Review it was agreed that this cap would rise in line with inflation (using the GDP deflator). The limit for 2024-25 was £712 million, which rises to £734 million in 2025-26. The £570.7 carry forward represents 77.7% of the cap in 2025-26.

Table 2 below sets out the current planned movements in the Scotland Reserve over the last two financial years.

Table 3: Scotland Reserve balance

	Resource	Capital	FTs	Total
	£m	£m	£m	£m
2024-25 Opening balance	(264.6)	(142.8)	(4.2)	(411.5)
2024-25 Drawdowns	264.6	142.8	4.2	411.5
2024-25 Provisional Additions	(510.7)	(35.0)	(25.0)	(570.7)
2024-25 Closing balance	(510.7)	(35.0)	(25.0)	(570.7)
2025-26 Opening balance	(510.7)	(35.0)	(25.0)	(570.7)
2025-26 Drawdowns	510.7	35.0	25.0	570.7
2025-26 Provisional Additions	0.0	0.0	0.0	0.0
2025-26 Closing balance	0.0	0.0	0.0	0.0

The red font is being used to show the underspends that have been deposited in the Scotland Reserve. So, in 2023-24 the underspend against HM Treasury totals was £411.5 million across the three HM Treasury categories. This was the final amount deposited in the Scotland Reserve following the Final Outturn process and is the amount carried forward to be the Opening Balance for 2025-26. The black font is being used to show when underspends have been withdrawn from the Reserve to supplement the current year funding position. So, in 2024-25, the full £411.5 million was drawn down to support the overall funding position.

The same logic is applied in-year for the 2025-26 lines in the table but it's not certain at this stage as the amounts in the Scotland Reserve are based on provisional outturn and the drawdowns are the current intention based on the existing financial position.

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In terms of their approach to managing the Scotland Reserve, the Scottish Government state in the guide to the SBR that:

“In general terms the Scottish Government will always plan to drawdown any Scotland Reserve availability in full each financial year, with up to £200 million being required to be held annually to cover year-end and audit adjustments post 31st March. As previous iterations of the Medium-Term Financial Strategy have set out, this ensures that maximum fiscal flexibility is maintained without compromising the Scotland Reserve’s capacity to absorb any volatility in spending late in the financial year.”

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Andrew Feeney-Seale, Senior Researcher, Financial Scrutiny Unit, SPICe