FPAC/S7/26/4/1

Finance and Public Administration Committee
Wednesday 9 September 2026
4th Meeting, 2026 (Session 7)

Pre-budget scrutiny 2027-28

Background

1. At today's meeting, the Committee will begin taking evidence as part of its pre-budget scrutiny 2027-28 on the affordability and sustainability of Scotland's tax and spending plans, which the Committee agreed to undertake in June 2026.

2. The agreed remit of this pre-budget inquiry is—

    - to assess the viability of the Scottish Government's plans to bridge the anticipated £4.77 billion fiscal gap by 2029-30,
    - to establish what steps the Scottish Government should take to respond to the structural pressures on the Scottish Budget,
    - to better understand the extent to which the Scottish Government considers affordability and sustainability when prioritising and deprioritising spending,
    - to consider how the Scottish Government's approach to taxation fits within its wider plans to ensure the sustainability of Scotland's public finances,
    - to bring greater transparency to how new policies announced by the Scottish Government in recent months will be funded and their potential impact on other areas of the Scottish Budget,
    - to consider what actions the Scottish Government should take to respond to inflationary pressures on the Scottish Budget, including in relation to the cost of living,
    - to assess how the Scottish Government should use its financial flexibilities – such as borrowing, bonds, the mutual finance model, and the Scottish Reserve – to manage budget pressures, and
    - to establish what steps the Scottish Government takes to ensure public money delivers good value and effective outcomes.

3. The Committee launched a call for views on 1 July 2026 which ran until 14 August 2026. 66 written submissions were received.

4. The call for views refers to the following Scottish Government publications—

    - Medium-Term Financial Strategy, June 2025
    - Fiscal Sustainability Delivery Plan, June 2025

- Scottish Spending Review 2026, January 2026
- Scottish Government's Bond programme factsheet, January 2026
- Preventative Budgeting Tool and Guidance, June 2026

5. Evidence sessions for pre-budget scrutiny are planned for 9, 16, 23 and 30 September 2026.

6. Pre-budget scrutiny is a key part of the Budget process, allowing committees to influence the Scottish Budget as it is being developed by the Scottish Government rather than commenting after it is published. As part of pre-budget scrutiny, committees gather written and oral evidence, usually between June and October each year, to inform an evidence session with the relevant Cabinet Secretary and publication of a report. The Scottish Government must then respond to say how it has taken account of committee reports in its Budget, normally published in December.

7. The Committee produces an annual guidance document to support subject committees' scrutiny of the Scottish Budget, including pre-budget scrutiny. The Committee published the latest Budget Process 2027-28: Guidance for Committees on 18 June 2026.

Other recent work in this area

8. On 25 August 2026, the Scottish Fiscal Commission published its annual Fiscal Update setting out the latest economic developments and changes to the Scottish Government's funding and spending since the Commission's last forecasts published alongside the Scottish Budget 2026-27 on 13 January 2026.

9. The Fiscal Update highlights that the economic outlook now appears to be weaker than previously forecast, with higher-than-expected inflation, rising energy prices and a risk of "higher food prices from high temperatures, wildfires, and drought across the UK and Europe". It notes that the exact knock-on implications of this weaker economic outlook for the Scottish Budget remain uncertain.

10. The Update also highlights additional funding for the Scottish Government in 2026-27 and 2028-29 largely due to UK Government spending decisions on education. It however notes particular pressures on the 2027-28 Scottish Budget, with "very little new funding" and a reduction of £720 million for a negative income tax reconciliation to "correct funding for forecast errors in the 2024-25 [Scottish] Budget".[1]

11. The Cabinet Secretary for Finance and Local Government, in a letter to the Committee of 24 June 2026, committed to deliver a fiscal statement to

[1]The SFC explains that "the contribution of Income Tax to the Scottish Budget is based on forecasts from both, us and the OBR. When outturn data on tax revenues in Scotland and the rest of the UK becomes available, the forecast error is calculated, and adjustments are made to a later Scottish Budget. This process is known as a reconciliation."

Parliament in September, "aligned with the Programme for Government, setting out the current fiscal context and the key issues and choices facing the Scottish Budget". The Cabinet Secretary has since confirmed that the Scottish Budget 2027-28 will be published on 3 December 2026.

Today's meeting

12. At today's meeting, the Committee will take evidence from two panels of witnesses as part of its pre-budget scrutiny 2027-28. These witnesses are listed below along with weblinks to their written submissions—

- Panel 1: Institute for Fiscal Studies, and Professor David Bell, Professor of Economics, University of Stirling
- Panel 2: Enlighten, Institute for Public Policy Research Scotland, and Royal Society of Edinburgh.

Clerks to the Committee
September 2026