Climate Action Committee
Thursday 24 September 2026
4th Meeting, 2026 (Session 7)

Pre-budget Scrutiny – Joint Budget Review

Introduction

1. Pre-budget scrutiny is the mechanism by which parliamentary committees engage with the Scottish Government's spending proposals before the Budget is published. It forms part of a year-round budget process, established following the 2017 Budget Process Review Group report, with the stated aim of allowing committees to influence the Budget's formulation rather than scrutinise it only after publication.

2. On 25 June, the Climate Action Committee agreed to undertake pre-budget scrutiny and on 3 September, the Committee agreed this would focus on the Joint Budget Review (JBR). At this meeting, the Committee will hear from stakeholders on the JBR and this paper provides background information to inform and support the meeting.

The Budget Process

3. The budget process, as recommended by the Budget Process Review Group (BPRG) in its 2017 report, is centred around four core objectives:

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

4. The process involves taking a strategic year-round approach to budget scrutiny, allowing parliamentary committees to build up an evidence base over time on the impact of spending in their portfolio areas.

5. Crucially, this process allows committees to influence the spending proposals in the Scottish Budget, with committees reporting their views on what it should contain (including priorities and reprioritisation) as it's being developed by the Scottish Government, rather than once it's published.

6. The Finance and Public Administration Committee has produced guidance on the budget process for this year. It should be read in conjunction with the SPICe Guide to the Scottish budget process, which provides further background on the process itself.

The Joint Budget Review

7. The Joint Budget Review (JBR) on climate change was conducted jointly by the Scottish Government and the Scottish Parliament. It was established as a result of a commitment during Stage 2 of the Climate Change (Emissions Reduction Targets) (Scotland) Bill in 2019 to review current processes and outputs around budget information as it relates to climate change.

8. The JBR's stated aim was to improve budget information on climate change, in particular to help understand and reduce spending that would lock in future emissions, and to align the Budget with the Scottish Government's climate change plans.

9. The JBR recommended three developments to enhance understanding of how decisions taken in Scottish budgets would affect the climate, and the Scottish Government's emission reduction goals. The first two of these have been implemented, a climate narrative section, and an enhanced taxonomy covering resource and capital spending. The latest example of the narrative section and the taxonomy, presented together, was published in January 2026:

- Scottish Government: Scottish Budget 2026 to 2027: climate change taxonomy - 2026

10. The third recommendation from the JBR was to develop a net zero assessment (NZA), which aims to identify and quantify the impact of policy proposals on Scotland's climate goals. The Scottish Government has been working to develop this over the last few years, and during 2025 piloted an approach using 202 policies, although not all of these policies were found to require a full NZA. From 2026 onwards, all policy proposals will have to consider a net zero assessment.

Previous consideration of the JBR last session

11. Last session, the Net Zero, Energy and Transport (NZET) Committee tracked implementation of the JBR. The NZET Committee welcomed the initial work on the climate narrative and the taxonomy, but found both need further development, more depth and detail on the data, and how it aligns with sources such as the Climate Change Committee's progress reports or the Government's own Climate Change Plan.

12. On the taxonomy specifically, the NZET Committee found the traffic-light grading (neutral/negative/positive, with the latter two split into high and low) is simple, but lacks the granularity needed to understand how it informs key spending decisions. That Committee thought some lines graded "positive" appeared to only loosely connect to climate change. Overall, the Committee concluded that more could be done to "join the dots" between net zero thinking and specific budget decisions.

13. The NZET Committee also believed Net Zero Assessment has the potential to be positive in developing more climate-friendly policies, but only in the coming Session will it be clear how significant a feature of government decision-making it becomes.

14. The Committee encouraged the successor committee to:

> "...continue to monitor all three strands of the Joint Budget Review over the coming session, and where necessary press for their roll-out. All three have the potential to add value, in terms of understanding whether budget choices are consistent with climate change goals. The strands are at different stages of development, with the climate narrative strand the most developed and Net Zero Assessment the least. The Net Zero Assessment strand is the most significant, in its capacity to improve the mechanics of actual government decision-taking relevant to climate change upstream of determining what specific interventions to make. Only in the coming Parliamentary session will it be possible to begin drawing conclusions about all of this, and only if all three strands continue to be developed and become a mainstream part of budget planning in the manner indicated in the final JBR report."[1]

Meeting 24 September 2026

15. On 3 September, the Committee agreed to hold two pre-budget sessions on the JBR over two meetings. On 24 September, the Committee will hear from:

[1] Net Zero, Energy and Transport Committee, Legacy Report, Session 6

- **Professor Graeme Roy, Chair, Scottish Fiscal Commission**
- **James Black, Senior Knowledge Exchange Fellow, Fraser of Allander Institute**

16. The Scottish Fiscal Commission published its most recent Statement of Data Needs in August 2026. The Statement comments on the Climate Change Assessment in the Budget.

    - Scottish Fiscal Commission: Statement of data needs, August 2026

17. In 2021, the Scottish Government commissioned the Fraser of Allander Institute to explore options aimed at improving how greenhouse gas emissions are considered in the development of Scottish Budgets and spending decisions.

- Fraser of Allander Institute: Improving emissions assessment of Scottish Government spending decisions and the Scottish Budget

Next steps

18. The Committee will hear from a further set of witnesses on 1 October before hearing from the Cabinet Secretary for Climate Action and Rural Affairs on 8 October. Following the evidence session, the Committee will agree a pre-budget report at a future meeting.

Clerks to the Committee
September 2026