

Finance and Public Administration Committee

3rd Meeting, 2021 (Session 6), Tuesday 7
September 2021

Scottish Government and Scottish Parliament working group to improve budget information on climate change

Introduction

1. The Finance and Public Administration Committee is invited to note the letter of 25 August 2021 from the Cabinet Secretaries for Net Zero, Energy and Transport and for Finance and Economy (Annexe A) in relation to the work of the Budget Working Group to improve budget information on climate change and that the Net Zero, Energy and Transport Committee will lead on taking forward arrangements for this work.

Background

Climate Change and Scottish Budget information

2. As a result of the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019, future Climate Change Plans will be required to include estimates of the costs and benefits of policies to reduce emissions.

3. During Stage 2 of that Bill, the Scottish Government committed to working with the Parliament and stakeholders to review the current processes and outputs around budget information as it relates to climate change¹. The Cabinet Secretary for Environment, Climate Change and Land Reform said—

“Should that be agreeable to the [Environment, Climate Change and Land Reform] committee...Such a review would aim to identify feasible steps to deliver meaningful improvements in cross-portfolio processes and transparency. The review would also need to cover the role of the climate change plan monitoring reports...To be clear, I am offering a review of the current processes and outputs, which has also been discussed with the finance minister”.

¹ Official Report, 18 June 2019, column 54

4. As a result of this commitment, Claudia Beamish MSP and Mark Ruskell MSP (both members of the then Environment, Climate Change and Land Reform Committee) agreed not to press certain amendments to the Bill.

Budget Working Group

5. To meet the commitment given at Stage 2, at its meeting on 8 October 2019, the ECCLR Committee discussed with the Scottish Government a collaborative approach to improving budget information on climate change. It was agreed that a proposed remit, membership and working practices of a Scottish Government/Scottish Parliament working group to improve that budget information would be produced. The agreed membership of the working group included Scottish Government officials and Scottish Parliament officials representing (in Session 5)—

- the Environment, Climate Change and Land Reform Committee;
- the Finance and Constitution Committee;
- the Economy, Energy and Fair Work Committee;
- the Rural Economy and Connectivity Committee; and
- officials from SPICe.

Programme of work

6. Although it was agreed in October 2019 to take forward establishment of the group, development of this was impacted in 2020 by the Covid-19 health pandemic. A letter from the Cabinet Secretaries for Finance and for Environment, Climate Change and Land Reform, dated 20 November 2020, updated the remit (following discussion with the Environment, Climate Change and Land Reform Committee) and the programme of work—

[Letter to the ECCLR Committee from the Cabinet Secretaries](#)

7. The work of the Group ensured that some initial changes for the 2021-22 Budget could be put in place and identified additional changes to be made for the 2022-23 Budget and beyond. This initial work is also referenced in the 'Budget scrutiny - guidance to all subject committees' issued to Conveners of all Committees on 25 June 2021 (extract shown in Annex B) and available at—

[Scotland's public finances in 2022-23 and the impact of Covid | Scottish Parliament Website](#)

8. The work programme is shown at Annex C of an interim report, produced by the Working Group in March 2021—

[Joint Review of Budget Documentation - Interim Report, March 2021](#)

Next steps

9. The Working Group agreed to commission external research to support the next steps on the review. On 21 June 2021, Kate Forbes MSP (Cabinet Secretary for Finance) and Michael Matheson MSP (Cabinet Secretary for Net Zero, Energy and Transport) wrote to both the Net Zero, Energy & Transport and to the Finance and Public Administration Committees laying out the revised timescales of the Review and reaffirming the Scottish Government's continued commitment to the Review—

[Joint Review of Budget Documentation - letter from the Cabinet Secretaries](#)

10. The letter says—

“...the research project will now run from August 2021 to Summer 2022 and consequently, we expect the Joint Review of the Budget to conclude with agreed recommendations and actions during Summer 2022. Changes will be implemented, potentially incrementally, from Budget 2023-24 onwards.

In the meantime, we will continue to work to examine interim improvements that can be made to processes and transparency with respect to the consideration of climate change, ahead of the 2022-23 Budget.”

Decision

11. The Committee is asked to—

- note the letter, dated 25 August 2021, from the Cabinet Secretaries and that the Net Zero, Energy and Transport Committee will take forward arrangements with the Scottish Government.

Finance and Public Administration Committee Clerking Team
August 2021

Correspondence from the Cabinet Secretaries for Net Zero, Energy and Transport and for Finance and the Economy

Kenneth Gibson MSP
Convener of Finance and Public Administration Committee

Dean Lockhart MSP
Convener of the Net Zero, Energy and Transport Committees

25 August 2021

Dear Conveners,

Joint review of Budget as it Relates to Climate Change

Following our letter to the Committees on 21 June, we are writing to reiterate our continued commitment to the Joint Budget Review (JBR), to set out our current assessment of the timescales for this work, and to seek agreement of the new Committees' continued involvement.

As you will be aware, during Stage 2 of the Climate Change (Emissions Reduction Targets) (Scotland) Bill, the Government committed to working with the Parliament and stakeholders to review current processes and outputs around budget information as it relates to climate change. The Joint Review of the Budget, which began last September, aims to propose feasible and proportionate steps to deliver meaningful improvements to processes and transparency with respect to the consideration of climate change in the Scottish Budget.

As noted in our letter in June, we remain committed to this work but had to revise the timescales to allow sufficient time to undertake necessary research to provide viable and effective recommendations to enhance the assessment of spending decisions as they relate to climate change. Accordingly, the Fraser of Allander Institute research will run from August 2021 to Summer 2022, and consequently, we expect the JBR to conclude with agreed recommendations and actions during Summer 2022.

We remain committed to delivering meaningful improvements to processes and transparency with respect to the consideration of climate change in the Scottish Budget, and ensuring we have quality research evidence to support this. Whilst the research is ongoing, we will continue to work to examine any further interim improvements that may be made to processes and transparency ahead of the 2022-23 Budget. Our officials will also work with yours and FAI to consider how any early

findings from their research can be made available to support your own scrutiny timetable of the Scottish Budget.

Following the change in Committee remits and appointments, we would invite confirmation of your continued support for the JBR based upon these revised timescales, and look forward to working with you on this important portfolio agenda.

Yours sincerely,

Kate Forbes
Michael Matheson

Extract from Correspondence to All Conveners 'Budget Scrutiny - Guidance to All Subject Committees'

Issued on 25 June 2021

Climate Change

1. The previous Scottish Government stated that all ministers are climate change ministers. As part of their budget scrutiny, relevant committees are asked to scrutinise how proposed spending in their particular remit has taken account of climate change issues and will help the Scottish Government meet the targets set out in the [Climate Change \(Scotland\) Act 2009](#).
2. All committees are required to consider climate change issues when scrutinising their own relevant Scottish Government portfolios.
3. As a result of the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019, future Climate Change Plans will be required to include estimates of the costs and benefits of policies to reduce emissions. During Stage 2 of the Bill, the Scottish Government committed to working with the Parliament and stakeholders to review the current processes and outputs around Budget information as it relates to climate change (Official Report, 18 June 2019, column 54) and the Joint Budget Working Group was established.
4. The following aspects were included in the Scottish Budget 2021-22 aimed at making short term improvements to the presentation of information to support effective, informed scrutiny—
 - A taxonomy analysis of capital spend has been added to the main Budget document, categorising spend by a traffic light system of low carbon, neutral and high carbon spend. This analysis is in addition to that presented in the carbon assessment, which measures the greenhouse gas emissions impact of the whole Budget. In previous years, the taxonomy analysis of capital spend had been made available to Committees after Budget publication.
 - A reference to the ongoing work of the Joint Budget review was made in the 2021-22 Budget document [pg. 171].
 - The Cabinet Secretary for Finance, Ms Forbes, also made reference to the carbon taxonomy in the 2021-22 Budget parliamentary statement on January 28 2021

5. For further information, Committees may want to refer to the Joint Review of Budget Interim Report (March 2021) which can be found at—
[Joint Review of Budget Interim Report March 2021\(2\).pdf \(parliament.scot\)](#)
6. The 2019 Act also placed the monitoring framework for the Climate Change Plan on to a statutory footing for the first time, with sector by sector reports on progress and the inclusion of matters relevant to a just transition. This annual monitoring report must be laid by 31 May in each relevant year or, if the Scottish Ministers consider that is not possible because the information needed for the report is not available, as soon as reasonably practicable after that date. This timing is to enable the report to feed into pre-budget scrutiny processes.
7. This is the most recent monitoring report -
[https://www.gov.scot/publications/climate-change-plan-monitoring-reports-2021-compendium/](#)

Membership of the Working Group in Session 5

The working group is co-chaired between officials from the Scottish Government and the Scottish Parliament.

The membership of the Group, in Session 5, was as follows:

Scottish Government

Sarah Hart – Unit Head – Strategic Co-ordination and Public Body Unit
Katie Phair – Head of Climate Emergency Strategy Team
Greg Symons – Head of Climate Change Plan Team
Ben Walsh – Senior Finance Business Partner
Rebecca Winterstein –Infrastructure & Investment
Sasha Maguire - Office of the Chief Economic Adviser

Scottish Parliament

Environment, Climate Change and Land Reform Committee – Lynn Tullis/Sarah Robertson
Economy, Energy and Fair Work Committee – Rodger Evans
Rural Economy and Connectivity Committee – Alex Bruce
SPICE - Iain Thom/Alasdair Reid
Financial Scrutiny Unit - Greig Liddell