

# Budget Process 2023-24: Guidance for Committees

## Purpose

1. This guidance aims to support parliamentary committees in relation to their scrutiny of the Scottish Government's Budget 2023-24. It should be read in conjunction with this [SPICe briefing on the budget process](#), which provides further background on the process itself, and this separate [SPICe briefing on pre-budget scrutiny](#) including specific reference to the Scottish Government's Resource Spending Review.

## Process

2. 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.

3. The process takes 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. This approach enables committees to spread their work on budget scrutiny more evenly throughout the year, as part of their existing work programmes, and should also ensure more meaningful and informed scrutiny. Crucially, this process enables committees to have real influence on the spending proposals in the Scottish Budget, with committees reporting their views on what it should contain as it is being developed by the Scottish Government, rather than once it is published.

4. Indeed, committees are expected to report their findings to their respective Ministers, either by letter or report, at least six weeks before the Scottish Government's Budget is published. This is usually around the end of October/start of November, with final dates confirmed nearer the time. There is no requirement for pre-budget letters/reports to be sent to the Finance and Public Administration Committee.

5. The Scottish Government, in its Budget document, once published, will include a summary of how parliamentary committees have influenced the formulation of the Budget. Ministers will provide a more detailed response to individual committees within five sitting days of the Budget being published. Each committee thereafter has an opportunity to invite oral evidence from their respective Ministers on the detailed response.

6. The Scottish Parliament's Standing Orders (Rule 5.8) requires the Parliamentary Bureau to schedule time for committee pre-budget reports to be debated. This debate takes place prior to the Stage 1 debate on the Budget Bill.

7. Committees are then encouraged to take a view on whether they are content with how the Scottish Government has responded to their pre-budget reports, based on the Budget document, formal responses from the relevant Minister and their evidence. If not, committees have 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). Other than the Finance and Public Administration Committee, which scrutinises the Bill at Stage 2, there is no formal role for other committees beyond Stage 1.

## Possible approaches

8. Committees are free to adopt approaches to pre-budget scrutiny that suit their work programmes and working practices, taking account of the BPRG report, this guidance, and other background documents, including SPICe briefings. The BPRG report recommends that committees, in their final reports/letters, include views on the delivery and funding of existing policy priorities, any proposed changes and how these should be funded and the impact of spending on the delivery of outcomes. More information on how committees might approach scrutiny of outcomes is provided in the section on the National Performance Framework below.

9. The Finance and Public Administration (FPA) Committee recognises that it is not possible for committees to undertake detailed budget scrutiny in every area within their remits. In fact, we want to ensure that committees have maximum flexibility in their approach to budget scrutiny. Committees may for example prefer to agree a particular focus each year, either on a specific policy area, or indeed budget areas that have seen significant reductions or increases. This year, committees are advised to take the opportunity of the Scottish Government's Resource Spending Review and Capital Spending Review update to examine the spending priorities chosen by the Scottish Government (and therefore also what has not been prioritised) for the years ahead.

10. The next section of the guidance goes on to further explore how the RSR and other supporting documents can assist committees in their budget scrutiny. Audit Scotland performance reports, public body reports and Scottish Government strategies and plans relevant to their committees' remits may also be of interest should committees wish to build up a fuller picture of how areas of their portfolios are performing against objectives.

# Supporting documents

## Resource Spending Review

11. On 31 May 2022, the Scottish Government published its first Resource Spending Review since 2011<sup>1</sup>. Spending Reviews are not intended as a mechanism for allocating new spending proposals or money. Instead they provide a means of prioritising and identifying potential savings options associated with existing expenditure. In [Investing in Scotland's Future: Resource Spending Review](#), published alongside the Medium-Term Financial Strategy and Scottish Fiscal Commission Forecasts (see below), the Cabinet Secretary states that “it is clear that choices will have to be made in future Budgets over the remainder of the parliament that take account of the challenges the Scottish economy faces”.

12. The RSR sets out indicative spending plans at level 2 from 2022-23 until 2026-27, which committees can use to scrutinise the anticipated spend in their portfolio areas and how different spending choices are being prioritised. It states that “the multi-year spending framework set out in this document will enable public sector bodies and delivery partners to work with the Scottish Government to plan effectively over the medium-term for the future of Scotland’s public services”. It notes that “these plans are distinct from annual budgets and do not replace that normal process”, adding “more detailed spending plans, including how key priorities will be funded, will be set out in the 2023-24 Scottish Budget and subsequent annual budgets”.

13. According to the Scottish Government, the RSR “provides an overarching financial framework focusing on four key Scottish Government priorities: tackling child poverty; addressing the climate crisis; securing a stronger, fairer, greener economy, and delivering excellent public services”. More background information on the RSR can be found in this [SPICe blog on the 2022 Resource Spending Review: Budget priorities identified](#) and a more detailed analysis of the RSR and a range of suggestions for subject committee scrutiny is provided in this [SPICe briefing on the Resource Spending Review and pre-budget Scrutiny](#).

14. Given this is the first RSR since 2011, committees may wish to take the opportunity to scrutinise some of the spending choices and changes in priorities the Scottish Government has made in their portfolio areas. In particular, committees could look at those areas that have been prioritised and those that have therefore not, and the impact of these spending choices in these areas.

15. The Cabinet Secretary has emphasised that the RSR is not a budget and that the numbers contained within the document will inevitably change, she hopes for the better. This is useful for subject committees to keep in mind during their pre-budget scrutiny. When looking at their spending portfolios, committees could make suggestions to the Scottish Government around priorities they would recommend, in the event that additional resources become available.

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<sup>1</sup> The Scottish Government published the consultative document [Investing in Scotland's Future: resource spending review framework - gov.scot \(www.gov.scot\)](#) in December 2021, to which some committees provided responses. Those committees will wish follow up on whether their recommendations have been adopted in the RSR.

## Medium-Term Financial Strategy and Scottish Fiscal Commission Forecasts

16. The Scottish Government's Medium-Term Financial Strategy (MTFS) sets out the economic and fiscal outlook for the next five years and provides the context for the Scottish Government's spending decisions. It is informed by the Scottish Fiscal Commission's (SFC) Economic and Fiscal Forecasts. These documents are published together, usually in May each year, and can provide a hook for committees' pre-budget scrutiny.

17. The [Scottish Government's fifth MTFS](#) also published on 31 May 2022, alongside the [SFC's Economic and Fiscal Outlook – May 2022](#), which states that “the Russian invasion of Ukraine, steeply rising energy prices and further global supply chain disruptions in China have led to a challenging economic outlook”. The SFC goes on to state that “Scotland and the UK will experience the biggest annual fall in living standards since equivalent Scottish and UK records began”. The Cabinet Secretary for Finance and the Economy notes in her foreword to the MTFS that “rising inflation, and the consecutive increases in the Bank of England interest rate, are also increasing budgetary pressures on the Scottish Government and public bodies, and will put pressure on our public services in real terms”.

18. The MTFS and SFC Forecasts can be used by committees to set the context for their pre-budget scrutiny and assess the risks around spending in particular areas within their portfolios. Committees could also look to examine the assumptions made for these forecasts, and the degrees of built-in uncertainty.

## Capital Spending Review

19. The Scottish Government has also published the outcome of its [targeted review of its 2021-22 to 2025-26 Capital Spending Plans](#), setting out capital funding allocations by portfolio down to Level 3 for 2022-23 to 2025-26. It notes that the challenging fiscal position, and external factors, such as inflation and global supply chains, have led to “a number of areas where the funding profile has had to be slowed down – such as road improvement programmes”, adding that “it is now unlikely that the Capital Spending Review's ambition to double the level of spending on maintenance of infrastructure will be reached”. This may also be of interest to those committees that see capital funding in areas of their portfolios reducing. Committees could look to scrutinise the Government's new plans and the assumptions behind these. They may also be interested in looking at how the planned change in the mix of capital funding affects their particular area. For example, the revised capital plans involve less reliance on revenue-financed investment in future years, which may affect the viability of any projects that had planned to use revenue financing. However, there is more availability of Financial Transactions money than had previously been anticipated, which may open up opportunities that can be funded through this form of financing.

## National Performance Framework: National Outcomes

20. According to the Scottish Government, the [National Performance Framework](#) (NPF), introduced in 2007, “describes our ambitions, providing a vision for national wellbeing across a range of economic, social and environmental factors”<sup>1</sup>. It sets out the “strategic outcomes which collectively describe the kind of Scotland in which people would like to live and guides the decisions and actions of national and local government”. There are 11 national outcomes, which are measured for progress against 81 national indicators.

21. The BPRG recommended that the NPF “is used more widely by Parliament and its committees in evaluating the impact of previous budgets” and in particular that subject committees should revisit budget documents and assess the extent to which previous spending plans are delivering the national outcomes”.

22. SPICe produces a [monthly snapshot of how Scotland is performing against national indicators](#), which committees can use to review progress (latest version published on 9 May 2022). Should committees identify national outcomes or indicators that are seeing little or no progress, or indeed a deterioration, they could focus on budget areas that may impact on those outcomes.

23. This [SPICe briefing on the NPF and Budget Scrutiny](#) is intended to support committees to:

- use the NPF to help provide a focus to budget scrutiny,
- identify key budget questions relating to the different stages of the policy/spending process
- link these budget questions to the National Outcomes and indicators, and
- use the NPF to improve the depth and scope of their budget scrutiny.

24. It also provides some helpful case studies of where committees have used the national outcomes to support budget scrutiny, for example, the [Session 5 Equality and Human Rights Committee’s pre-Budget scrutiny report 2020-21 on “Valuing the Third Sector”](#), which used the NPF data extensively and is considered to be a good practice example.

25. The Community Empowerment (Scotland) Act 2015 requires a statutory review of the National Outcomes every five years. The next review is expected in 2023, with most committees expected to have an interest. Any budget work committees undertake on the impact of spending on the delivery of national outcomes now could also therefore help to inform their work for the review.

## Financial transparency

26. One of the BPRG’s core objectives for the budget process is to improve transparency. This aligns with the Scottish Government’s [Scotland’s Open Government Action Plan 2021-22](#)<sup>9</sup> published on 25 March 2022, which aims to “promote Open Government values of openness, accountability, transparency and

involving people”, across three policy areas it identifies as priorities, one of which is Financial Transparency<sup>2</sup>.

27. As part of this initiative, the Scottish Government undertook a “discovery project” in Spring 2021 in recognition that “current presentation of fiscal information is not easily accessible or presented in a way that meets most users’ needs”. The result is the [Scottish Exchequer Fiscal Transparency Discovery Report](#), which sets out the findings of the discovery project and how the Scottish Government aims to “make the existing large amount of fiscal information more accessible, understandable, linked and open – rather than publishing more, new or different information”.

28. The SFC, in its recent May Forecasts highlight that “portfolios change over time to reflect different ministerial responsibilities [which] makes tracking spending over time difficult.” They point to the Organisation for Economic Cooperation and Development (OECD) developed Classification of Functions of Government (COFOG), which is used to reflect spending in a consistent way by identifying spending under set definitions, for example Health, Education, Housing Economy, Environment. The SFC makes clear that:

“We would like the Scottish Government to publish its Budget later this year with information on how spending is split by COFOG as well as by portfolio.”

This would provide a baseline level of spending for us to use in our Fiscal Sustainability Report and provide a benchmark for comparisons of the Scottish Budget in future years.”

29. If delivered, this would provide parliamentary committees with improved transparency in terms of budget information by area of government.

30. Committees may wish to build questions into their budget scrutiny around the ability to track funding and spending, to hold the Scottish Government to account on its commitments around transparency.

## Climate change

31. Addressing the climate change crisis is one of the key spending priorities set out in the RSR and detailed plans on how the Scottish Government intends to support Scotland to meet the net zero targets set out in the Climate Change (Scotland) Act 2009, are provided in the above documents which relevant committees may wish to examine.

32. Last session, 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, and a Budget Working Group was established to take this work forward. The Fraser of Allander Institute was commissioned to produce research and recommendations which will be published in time to be incorporated into the next Scottish Budget, expected in December 2022.

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<sup>2</sup> Climate Change and Health and Social Care are the two other Scottish Government Open Government priorities.

## Equalities

33. The BPRG saw the link between equality and budgetary considerations as being key to the budget process, particularly in recognition of equal opportunities as one of the founding principles of the Scottish Parliament.

34. This year, committees may wish to take note of the Scottish Government's [Equality and Fairer Scotland Statement](#), published alongside the RSR, which "considers some of the key opportunities and challenges that the Scottish Government faces over this parliamentary term; what these mean for inequality, fairness and human rights; and how the spending review and other initiatives respond". The Foreword to the Statement notes that "breaking the cycle of single-year funding and taking a longer-term view supports the Scottish Government's strategic approach and ambition to achieve a more equal society". It also highlights the cost of living crisis, the lasting effects of the pandemic, Brexit and the war in Ukraine as underlining "the need to continue with the Scottish Governments' equality, fairness and human rights agenda".

35. Committees may be interested to explore the Scottish Government's plans in more detail, how they might impact on particular groups of society, and where any improvements could be made.

## Ongoing support

36. As always, Clerks and SPICe colleagues would be happy to work with committees in helping to shape their approaches to the work outlined above that best suit individual committees within their existing work pressures.

Finance and Public Administration Committee  
June 2022