



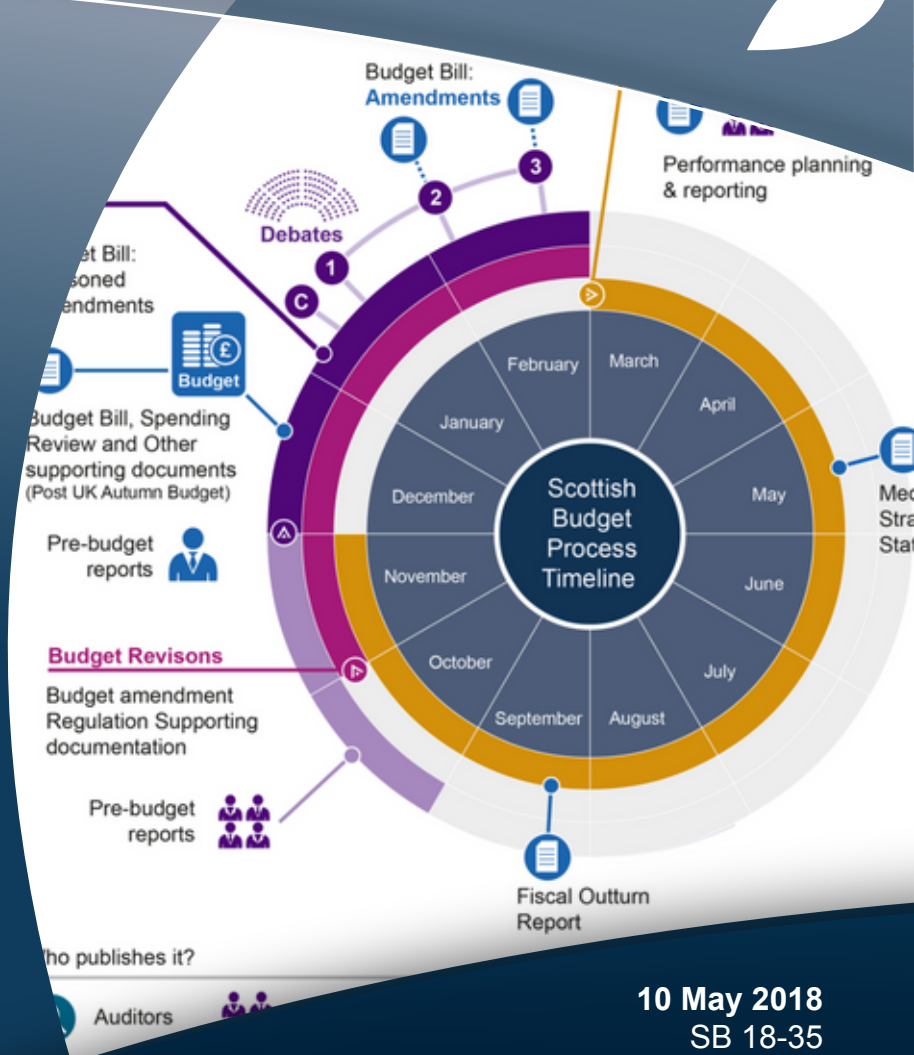
SPICe Briefing

Pàipear-ullachaidh SPICe

# Guide to the new Scottish budget process

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On 8 May 2018, the Scottish Parliament agreed to changes to the Written Agreement between the Finance and Constitution Committee and the Scottish Government. The Written Agreement sets out the administrative arrangements for the annual budget process and other related budgetary matters. This briefing summarises the new Budget process.



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# Executive Summary

The make-up of the Scottish budget has substantially changed in recent years as a result of new powers being devolved to the Scottish Parliament. Under Scotland Act 1998, the vast majority of the Scottish budget flowed from a block grant from Westminster. With Scotland Acts 2012 and 2016, the share of the Scottish budget's discretionary spending power comprised from taxes raised in Scotland will increase to approximately 50%.

This devolution of new taxation and welfare powers to the Scottish Parliament has added considerable complexity to the Scottish budget: for example, in terms of the composition of the initial Scottish budget and how it is subsequently reconciled; and the introduction of new borrowing powers.

The operation of these new powers is governed by a Fiscal Framework agreement between the Scottish and UK Governments.

The Finance and Constitution Committee considered that these new powers devolved by Scotland Act 2012 and Scotland Act 2016 required a fundamental review of the Scottish budget process. A Budget Process Review Group was subsequently established and published its final report in June 2017 making a number of recommendations for revising the budget process.

Central to these recommendations is a budget process with the following four core objectives:

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

The Finance and Constitution Committee and the Scottish Government have both agreed to accept and implement the Budget Process Review Group recommendations in full.

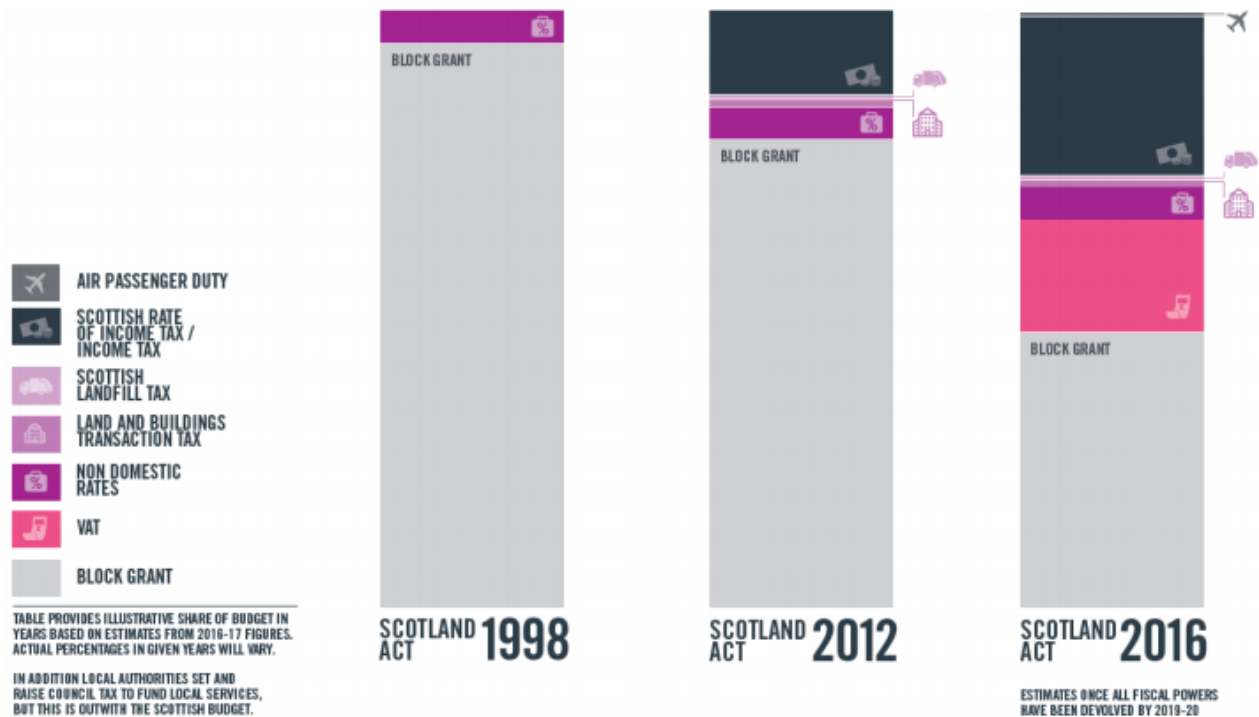
On Tuesday 8 May 2018, the Scottish Parliament voted to accept a new Written Agreement between the Finance and Constitution Committee and the Scottish Government, setting out the administrative arrangements for the annual budget process and other related budgetary matters.

This briefing summarises the key elements of the new Scottish budget process.

# The context for a new budget process

In recent years, new tax and welfare powers have been added to the Scottish Parliament's responsibilities. This will result in the Scottish budget moving from a situation where the vast majority of its discretionary spending power came from a block grant from Westminster (under Scotland Act 1998) to a situation where approximately half of the spending power of the Scottish budget comes from taxes raised in Scotland (under Scotland Act 2016).

**Figure 1: The changing composition of the Scottish budget**



[Budget Process Review Group, Final Report](#)

These changes mean that the size of the Scottish budget is now directly linked to Scottish economic performance, and through the workings of the Fiscal Framework, Scottish economic performance relative to the rest of the UK, as well as Scottish Government policy decisions.

It was in light of these new powers that the Parliament's Finance and Constitution Committee established a Budget Process Review Group (BPRG). The BPRG was made up of Scottish Parliament and Government officials and external experts and had the following remit:

“ To carry out a fundamental review of the Scottish Parliament’s budget process following the devolution of further powers in the Scotland Act 2012 and Scotland Act 2016. To bring forward proposals for a revised budget process which are consistent as far as possible with the principles of the Financial Issues Advisory Group for consideration by the Finance Committee and the Cabinet Secretary for Finance and the Constitution.”

The BPRG published its final report on 30 June 2017, and made a number of recommendations for revising the budget process. The Finance and Constitution

Committee and the Scottish Government have both agreed to accept and implement these recommendations in full.

On 8 May 2018, the Scottish Parliament debated and agreed the revised Written Agreement on the budget process between the Scottish Government and the Finance and Constitution Committee. Speaking during the debate, the Convener and Deputy Convener emphasised the need for a cultural shift in order to deliver the new budget process. The Convener of the Committee, Bruce Crawford MSP said of the new process that:

“ It will require significant collaboration between the Government, the Parliament and Scotland’s public bodies to deliver such an ambitious set of recommendations, but perhaps the biggest challenge that we as politicians face will be cultural. We need to move from a position of judging success based on the number of police on the streets or the number of nurses in our national health service to one that involves measuring the sustainable outcomes that are achieved by public spending in Scotland. <sup>1</sup> ”

The debate on the Written Agreement was followed by a parliamentary motion on behalf of the [Standards, Procedures and Public Appointments Committee](#) <sup>2</sup> proposing changes to standing orders <sup>3</sup>, to ensure that the Parliament’s rules accurately reflect the budget process. Like the motion on the Written Agreement, this motion was agreed to without division.

# The FIAG principles

As mentioned above, the BPRG remit was to bring forward proposals for a revised budget process which is consistent "as far as possible" with the principles of the Financial Issues Advisory Group (FIAG). So what were these principles?

FIAG was established to advise the Consultative Steering Group (CSG) set up in advance of the establishment of the Scottish Parliament to develop the principles by which the Parliament and Executive would operate. FIAG consisted of public finance experts and senior civil servants and [published its report in 1998](#).<sup>4</sup>

The FIAG report recommended that "any Scottish budgeting system is capable of:

- providing opportunities for the Parliament to comment on expenditure priorities and to influence the Governments' preparation of budgets;
- providing the opportunity for the public to have the opportunity to put their views to subject committees, as well as individual MSPs at an early stage in the process;
- providing sufficient time for the Parliament to consider and debate proposals fully;
- providing balance between the requirement for parliamentary scrutiny and the needs of the Executive;
- providing some degree of certainty so that on-going activities can continue without prolonged uncertainty;
- providing an efficient mechanism to deliver motions to be debated by the Parliament;
- providing a meaningful role for subject committees and the Finance Committee;
- delivering timeous decisions on tax varying powers and the budget (as well as the interim spending approval and budget amendments);
- engaging all MSPs;
- facilitating the Executive's formulation of proposals; and
- providing for the right of amendment."

FIAG recommended that the Scottish budget process should represent a departure from the UK Parliament's budget process. The report argued that:

“ the Westminster system has not succeeded in promoting a constructive discussion of budgetary and expenditure priorities or a sensible dialogue between Executive and Parliament on these issues. As a result, the UK Parliament has no meaningful input and the approval of expenditure is made ex post facto. So, although the present system ensures that financial information is presented, it does not encourage the House and its Committees to make the best use of that information.”

FIAG argued that the Scottish Parliament should have more of a say in setting priorities for expenditure, and proposed an annual three stage process:

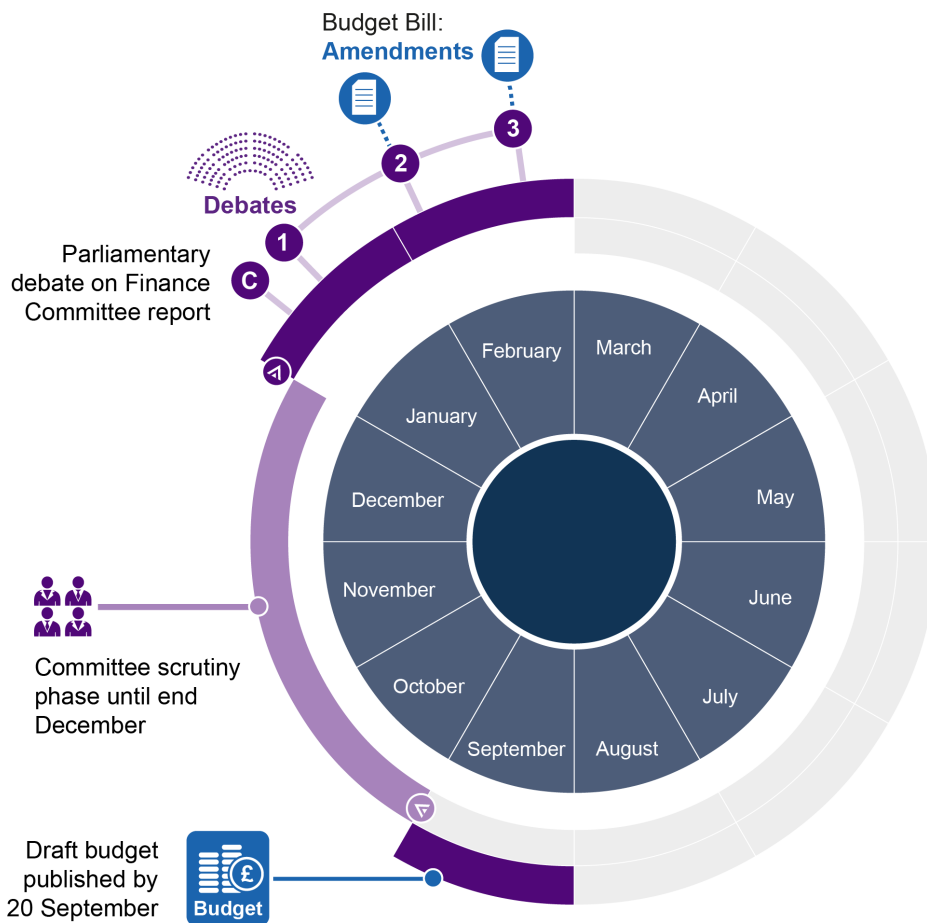
- Stage 1 (April – June): discussion of strategic priorities.
- Stage 2 (Sep – Dec): consideration of Scottish Government’s draft budget.
- Stage 3 (Jan – Feb): scrutiny of the Budget Bill.

# The effectiveness of the previous budget process

The BPRG considered the effectiveness of the previous budget process and made a number of observations in its final report.

The BPRG noted that Stage 1 of the original budget process (discussion of strategic priorities) had never really operated as intended by FIAG and had "essentially been abandoned". As such, the previous process had concentrated scrutiny in the period after publication of the Draft Budget in September to the Bill being passed in February (Figure 2).

**Figure 2: The previous Scottish Budget Process**



The final report of the BPRG noted weaknesses in the previous budget process around:

- **Timing:** the length of time available for budget scrutiny.
- **Scope:** the scope of budget scrutiny.
- **Influence:** the level of parliamentary influence on the budget.



On **timing**, the key problem with the previous process is that it did not address the interaction of the UK Budget timetable with the Scottish Budget timetable, where timings of UK general elections, Budgets and Spending Reviews often necessitated moving the publication of the Scottish Draft Budget to later in the year. This resulted in the time available for scrutiny of Scottish spending often being truncated.

This issue became more significant when, on 23 November 2016, the Chancellor announced that the Autumn Statement would become the 'Autumn Budget' and the main fiscal event at UK level announcing changes for the following year, and that the March Budget would become the 'Spring Statement'.

Given the new powers and the interaction of UK and Scottish Budgets through the block grant and block grant adjustments (discussed in ['The New Financial arrangements section'](#)), and with the main UK fiscal event being moved to November each year, the BPRG felt the issue of timing needed to be addressed.

On **scope**, the BPRG noted that parliamentary scrutiny was too narrow with an annualised focus on the allocations for the next financial year compared with the current year. This had contributed to a "short-term approach" with an "over-emphasis on 'winners and losers' year-on-year" and "little consideration of long-term trends" and whether spending was effectively delivering desired outcomes.

On **influence**, the BPRG noted that parliamentary scrutiny under the previous process did not start until after the draft budget had been published. Once the Scottish Government agreed and presented its draft budget, "there is little evidence of any substantial change to the spending proposals resulting from the budget process." Changes to the Budget tend to arise as a consequence of bilateral negotiations between political parties and the Cabinet Secretary for Finance and the Constitution, rather than as a result of Committee scrutiny. Changes also tend to involve additional funding rather than amending spending plans.

The BPRG noted that:

“ the existing budget process is not delivering the opportunity for the Parliament “to influence the Executive’s preparation of budgets” as envisioned by FIAG. The Group’s view is that this is unsurprising given that parliamentary scrutiny of the budget begins after the Government has set out firm and detailed spending proposals. Prior to that there is little public consultation or transparency in the formulation of the budget. It is also unclear to what extent the Government consults with the public bodies in formulating the budget.”

The BPRG recommendations for a new parliamentary scrutiny process are discussed in [the section on the new budget scrutiny process](#).

# The new financial arrangements

The new budget process needs to accommodate new financial arrangements arising from Scotland Acts 2012 and 2016. With each new power introduced to the Scottish Parliament, there is an adjustment made to the size of the block grant from Westminster:

- a reduction in the block grant equivalent to the income foregone by the UK Exchequer for taxes devolved to Scotland
- an increase in the block grant equivalent to the spending foregone by the UK Exchequer for social security spending devolved to Scotland.

These block grant adjustments (BGAs) are governed by a [Fiscal Framework Agreement between the UK and Scottish Governments](#).<sup>5</sup> This document sets out a series of rules and arrangements to operationalise the new powers.

## The Fiscal Framework

Key elements of the Fiscal Framework include:

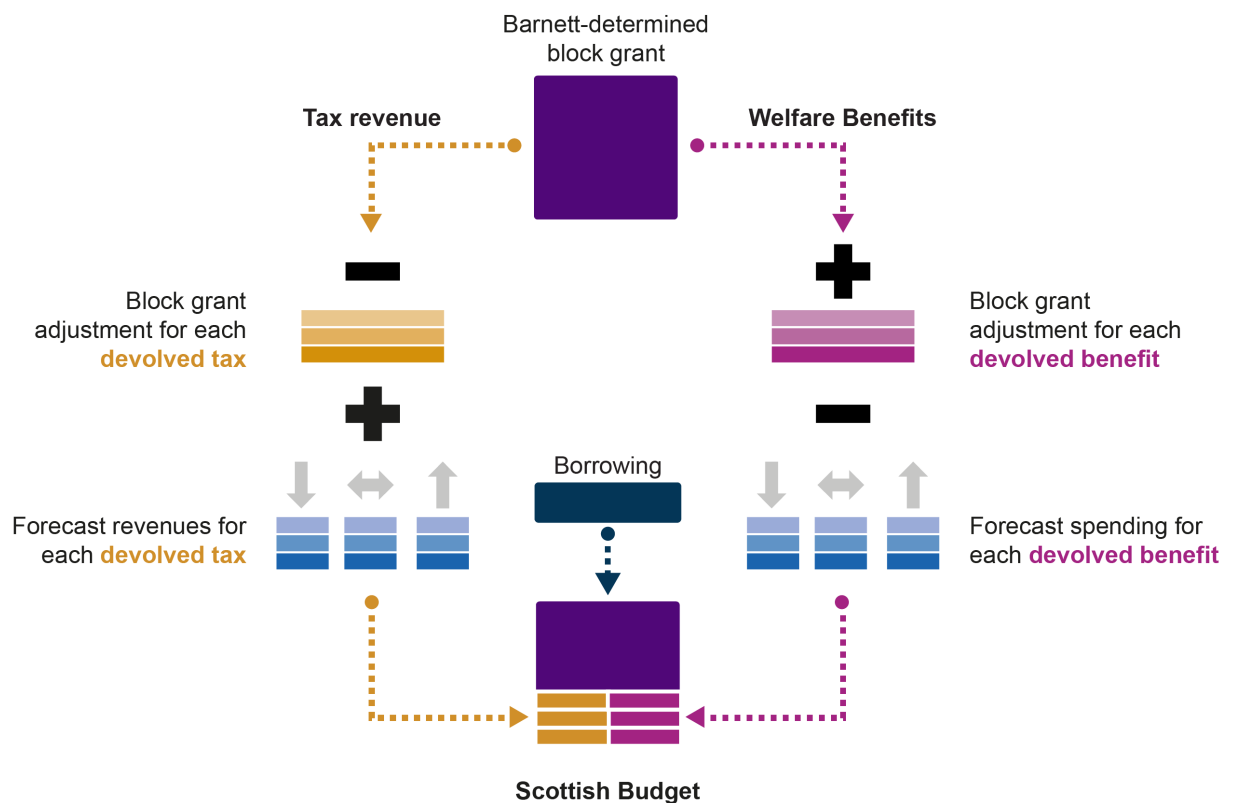
- how the Scottish block grant will be adjusted to reflect the transfer of fiscal responsibilities
- forecasting arrangements and responsibilities
- arrangements for revenue borrowing and cash management to smooth revenue volatility and differences between revenue forecasts and outturn
- capital borrowing powers
- a range of other issues including administration costs, data sharing arrangements, dispute resolution, and implementation and review.

SPICe has published a detailed briefing on the [Fiscal Framework](#)<sup>6</sup>.

## The Block Grant Adjustment

The Barnett formula will continue to be used to calculate the block grant. The block grant is made up of the previous year's block grant plus/minus "Barnett consequentials". The Barnett formula calculates the consequentials based on Scotland's population share of changes to UK Government spending in areas that are devolved in Scotland.

A Block Grant Adjustment (BGA) will be calculated for each devolved/assigned tax and social security benefit. BGAs linked to the devolved/assigned taxes will be deducted from the block grant to reflect the fact that revenue from these taxes will flow to the Scottish Budget. BGAs linked to the devolved social security benefits will be added to the block grant to reflect additional social security spending by the Scottish Government (Figure 3).

**Figure 3: How is the Scottish Budget determined?**

There are two elements to the BGA in relation to taxes:

- An initial reduction which is equal to the tax revenues collected in Scotland in the year immediately prior to the devolution of the tax power. This figure is initially based on a forecast and will be recalculated once outturn data is available.
- An indexation mechanism which provides a measure of the rate at which 'comparable' revenues have grown in the rest of the UK. This means the size of the BGA for each tax is dependent on the level of annual growth in the equivalent taxes in the rest of the UK.

There are also two elements to the BGA for social security payments:

- An initial addition to the block grant equal to the UK Government's spending on these areas in Scotland in the year immediately prior to devolution (except for Cold Weather payments which will be based on a multi-year average prior to devolution). This figure will also initially be based on a forecast. Once outturn data is available, the baseline figure will be recalculated
- An indexation mechanism which provides a measure of the rate at which 'comparable' spending has grown in the rest of the UK. This means the size of the BGA for each devolved area of social security is dependent on the level of annual growth in the equivalent area of spend in the rest of the UK.

The Fiscal Framework states that the BGA calculation for each tax and social security benefit will be carried out by HM Treasury at the time of the Autumn Statement (now

Autumn Budget) “provided this occurs at least three months in advance of the start of the financial year.”<sup>7</sup>

The tax revenues and devolved benefit calculations will initially be based on forecasts:

- of the revenues likely to be raised from the taxes in Scotland and of the comparable tax revenues in rUK
- of the likely spending on devolved social security benefits in Scotland and of the UK Government's equivalent spending.

The forecasts for Scottish taxes and social security benefits will be prepared by the Scottish Fiscal Commission (SFC). The forecasts of comparable tax revenues and social security spending in the rest of the UK (rUK) which inform the adjustments to the block grant will be carried out by the Office for Budget Responsibility (OBR).

The Scottish budget, although more directly linked to the performance of the economy than was the case in the past, is still inextricably tied to the UK Budget. The BPRG report points out that this link to the UK Budget

“ is not just in terms of the overall impact on Scottish Government finances, but also with regard to the timing of fiscal events at a UK level and the importance of both UK policy in tax and welfare as well as OBR forecasts to the Scottish budget.”<sup>8</sup>

Subsequently, there will be a series of reconciliations between the forecasts and the outturn. The Fiscal Framework Outturn report, which will be published by the Scottish Government each September ([see section on "New Documentation and reporting"](#)), will provide details of the reconciliation between the forecasts for the adjustments to the block grant and the revenues from the devolved taxes. This report will inform Parliament of the implications of any reconciliation for the subsequent financial year - for example, whether there is a surplus or a deficit of receipts relative to forecasts.

## Borrowing powers

The Fiscal Framework sets out the scope of Scottish Government borrowing powers. For resource borrowing, there is a ceiling of £600m per annum, within a statutory overall limit of £1.75bn. The Fiscal Framework sets out certain rules for how these resource borrowing powers can be used. There is:

- An annual limit of £500m on borrowing for in-year cash management (for example, dealing with any differences in the timing of the collection of devolved revenues and spending commitments within a year).
- An annual limit of £300m on borrowing to account for errors in forecasts of taxes or welfare spending, and error in the forecasting of the BGAs.
- An annual limit of £600m on borrowing to address any observed or forecast shortfall in revenues or welfare spend, where the is, or is forecast to be, a Scotland-specific economic shock. The Fiscal Framework defines a shock as periods when (on a rolling four-quarter basis), Scotland's GDP grows (or is forecast to grow) by less than 1% and is also more than 1 percentage point less than growth in UK GDP growth. This

limit may be temporarily increased if a higher level of borrowing is considered necessary by agreement between the Scottish and UK Governments.

For capital expenditure, there is an annual limit of £450m in borrowing, with an overall statutory cap of £3bn.

The Scottish Government may borrow for capital spending through the UK Government from the National Loans Fund (NLF), by way of a commercial loan, or by issuing bonds. Resource borrowing will continue to be from the NLF.

## **Scotland Reserve**

The Fiscal Framework also allows the Scottish Government to make payments of up to a total of £700m into 'the Scotland Reserve', which is separated between resource and capital.

Payments into the resource reserve may be made from the resource budget including tax receipts. Funds in the resource reserve may be used to fund resource or capital spending.

Payments may be made into the capital reserve from the capital budget and capital reserve funds may only be used to fund capital spending.

Withdrawals from the Reserve can be used for resource spending up to £250m a year and up to £100m a year for capital spending. These limits may be temporarily increased in the event of a Scotland-specific economic shock (as defined in relation to borrowing powers).

# The new budget scrutiny process

The BPRG made a number of recommendations for revisions to the Budget process which were subsequently written into a [revised Written Agreement between the Scottish Government and the Finance and Constitution Committee](#)<sup>9</sup>.

The Written Agreement is not a statutory document, but it sets out the understanding between the Finance and Constitution Committee and the Scottish Government on the administrative arrangements for the annual budget process and other related budgetary matters. This section sets out the key elements of the new budget process which both the Finance and Constitution Committee and the Scottish Government have agreed to implement.

## What has been agreed?

The Written Agreement states that the budget process should have the following four core objectives:

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

Budget scrutiny undertaken by the Parliament should have the following focus:

- **Full year approach:** a broader process in which committees have the flexibility to incorporate budget scrutiny including public engagement into their work prior to the publication of firm and detailed spending proposals.
- **Continuous cycle:** scrutiny should be continuous with an emphasis on developing an understanding of the impact of budgetary decisions over a number of years including budgetary trends.
- **Output / outcome focused:** scrutiny should also be evaluative with an emphasis on what budgets have achieved and aim to achieve over the long term, including scrutiny of equalities outcomes.
- **Fiscal responsibility:** scrutiny should have a long term outlook and focus more on prioritisation, addressing fiscal constraints and the impact of increasing demand for public services.
- **Interdependent:** scrutiny should focus more on the interdependent nature of many of the policies which the budget is seeking to deliver.

The BPRG recommended a new Budget process system as illustrated in figure 4 below.

Figure 4: Overview of the revised budget process



## New documentation and reporting

As shown in [figure 4](#), there will be a number of new documents published by the Scottish Government to support the new parliamentary scrutiny process, and a number of new mechanisms for parliamentary committees to report their findings.

The BPRG recommended that the optimum time for the Parliament's committees to influence the budget is when budget priorities are being set. As stated in the revised Written Agreement:

“ Committees should therefore seek to influence the Budget prior to firm spending proposals being published through constructive dialogue with Ministers, public bodies and other stakeholders. This should be based on evidence gathering, review and evaluation of existing policy priorities, how these are being funded and implemented and what is being achieved. Scrutiny should also include consideration of the financial, economic and policy context.”

To support this new approach the Scottish Government has agreed to publish annually a Medium Term Financial Strategy (MTFS) and a Fiscal Framework Outturn Report. As part of a move to outcomes based approach to budget scrutiny, the Scottish Government and public bodies will also strengthen their performance planning and reporting to provide a greater focus on the delivery of outcomes. Table 1 below presents the new documentation and activity that will be undertaken by the Scottish Government to support the new process.



**Table 1: New documentation/activity from the Scottish Government**

New Document/activity	What will it report?
Medium Term Financial Strategy	<p>Published annually, will set out expectations and broad financial plans/projections for at least 5 years ahead on a rolling basis.</p> <p>Will follow the UK Spring statement and normally at least four weeks prior to summer recess.</p> <p>SFC forecasts will be incorporated into the report and will be published in full at the same time as the MTFS.</p> <p>The BPRG states that the Scottish Government "should work towards the MTFS consisting of the following four elements":</p> <ul style="list-style-type: none"> <li>• forecast revenue and demand-led spending estimates from SFC and their effect on Scottish public finances</li> <li>• broad financial plans for next five years</li> <li>• clear policies and principles for using, managing and controlling the new financial powers</li> <li>• scenario plans based on economic forecasts and financial information in order to assess potential impact of various scenarios on the budget.</li> </ul>
Fiscal Framework Outturn Report	<p>Published annually in September and based on audited information as far as possible, will cover the following elements of the Fiscal Framework:</p> <p>Reconciliation process:</p> <ul style="list-style-type: none"> <li>• outturn data for Scottish tax revenues (including comparison against forecast)</li> <li>• calculation of outturn BGAs (and comparison against forecast)</li> <li>• net budgetary position (revenues minus forecast) for each tax relative to forecast</li> <li>• implications of any reconciliation for the subsequent financial year</li> <li>• commentary on latest available interim outturn data on income tax.</li> </ul> <p>Scotland Reserve:</p> <ul style="list-style-type: none"> <li>• payments into the Reserve and withdrawals from the Reserve (with explanations for reasons for withdrawal or source of surplus)</li> <li>• Balance of Scottish Reserve at the start and end of the previous financial year.</li> </ul> <p>Borrowing:</p> <ul style="list-style-type: none"> <li>• borrowing undertaken in past financial year, assessment of how far Government remains below its various borrowing limits</li> <li>• implications of borrowing in terms of estimated profile of future repayments.</li> </ul>
Performance Planning and Reporting	<p>The Written Agreement states that the Scottish Government will work with public bodies to strengthen performance planning and reporting to provide a greater focus on the delivery of outcomes. Better information will be provided on</p> <ul style="list-style-type: none"> <li>• what activity public spending will support</li> <li>• what this aims to achieve</li> <li>• the contribution this is expected to make to outcomes</li> <li>• how plans are being delivered and the impact this is having.</li> </ul> <p>Scottish Government guidance will make clear that public bodies should report on their contribution to the <a href="#">National Performance Framework (NPF)</a> in their published corporate and business plans and annual report to best support parliamentary scrutiny of their activities and spending.</p> <p>Parliamentary committees will then be able to consider relevant Scottish Government and public body performance plans and reports, alongside other available evidence on the intended impact of policies and spending and the effect these are having.</p>

In light of the new approach to outcomes-based reporting as identified in table 1, the revised Written Agreement makes recommendations on how the new approach to performance planning and reporting should be scrutinised by the Committees.

The BPRG recommends that Committees should publish pre-budget reports as a way of identifying their budget priorities in advance of the Government bringing forward its budget. The Written Agreement states that each Committee should write to their respective portfolio minister at least 6 weeks prior to the publication of the budget, setting out their views of the delivery, impact and funding of existing policy priorities.

Committees will also be free to make proposals for changes. Any proposals for increased spending also require a proposal or range of options setting out how the additional expenditure will be funded.

Pre-budget reports should include each Committee's findings on the impact of spending on outcomes and the implications of these findings for future spending plans, including any suggested changes to policy priorities or allocation of resources.

## Spending reviews

The Written Agreement states that there is a presumption that the Scottish Government will undertake Spending Reviews linked to the equivalent UK Spending Review (SR). Where the Scottish Government plans to diverge from publishing an SR after a UK SR, it will explain the reasoning in a letter to the Finance and Constitution Committee.

The Scottish Government has agreed that in SR years, it will publish the following prior to summer recess, in order to allow time for parliamentary scrutiny and input:

- a framework document setting out the economic and political context
- the criteria which will govern the assessment of budgets
- the process and timetable for review.

## Budget Bill and detailed revenue and spending Proposals

As a consequence of the changes proposed in the BPRG report, there will no longer be a draft budget process as discussed above. Therefore, the Draft Budget document will no longer require to be produced. Instead, the content of the previous Draft Budget document will now be published as the Scottish Budget alongside the Budget Bill. The Written Agreement states that the Scottish Budget will normally be published the week before the introduction of the Budget Bill.

The Scottish Budget document will normally be published no more than three working weeks after the publication of the UK Autumn Budget. While the timing is not fixed (as it depends on the timing of the UK Autumn Budget), it is expected that the Scottish Budget and Budget Bill will "normally be published prior to Christmas recess and this is reflected in the timings for the Budget Bill process in the Standing Orders."

### What changes has the Scottish Government agreed to make to the Budget documentation?

The Written Agreement (see the [annexe to this briefing](#) ) states that the Scottish Government agrees to make the following changes to budget documentation in order to improve the accessibility and transparency of the budget –

- The factual content of budget proposals is separated from any political narrative.
- There should be a consistent approach to the presentation of financial data within the budget document. This financial information should be available to Level 3.
- Budget aggregates should be comparable year on year including reflecting the impact of changes to Ministerial portfolios.
- The budget document should include historical analysis of financial information by portfolio as well as against key budget aggregates (including capital and revenue allocations).
- In addition, there needs to be clarity regarding the relationship between budget allocations and available funding in different parts of the budget document. Spending allocations across all portfolios within the budget document must be reconciled with available funding.
- All aspects of Scottish Government expenditure should be separately identified within the document on a consistent basis. Where allocations to individual organisations are derived from different budget portfolios this needs to be set out consistently and transparently.
- There should be consistency in the period covered by the Budget which should also be retrospective covering at least two prior years as well as forward looking.
- Clear financial information on the operation of Scotland Act 2012 and 2016 powers.
- The provision of Level 4 financial information to be published alongside the publication of formal budgetary information in the same manner as is currently the case.

## Stage 1

So what will Stage 1 scrutiny of the budget documentation now look like?

The Written Agreement between the Finance and Constitution Committee and the Scottish Government states that Stage 1 should contain the following elements:

- The Budget document should include a summary of how submissions from Parliamentary committees have influenced the formulation of the Budget.
- Ministers will provide more detailed responses to the relevant Committees within five days of the Budget's publication.
- Each Committee will then have the opportunity to receive oral evidence from their respective Ministers.
- Committees can then consider whether they are content with the Scottish Government response, and consider whether they wish to make any alternative revenue and spending proposals. As now, Committees and individuals will be able to make alternative revenue and spending proposals through reasoned amendments to the motion on the general principles of the Budget Bill at Stage 1.
- Standing Orders now require the Bureau to provide time for a committee debate, led by the Finance and Constitution Committee, in the Chamber prior to the Stage 1 debate on the general principles of the Budget Bill.
- During this debate, a relevant convener, or representative of the various committees will have time to set out how their committee has sought to influence the budget. The Government will have the opportunity to respond.

- The Finance and Constitution Committee will also produce a report at Stage 1, which will focus on the wider picture of revenue and expenditure and whether they are appropriately balanced.

## Stage 2 and 3

As before, only Ministers will be able to lodge amendments to the Budget Bill at Stages 2 and 3. If Ministers decide to not lodge formal amendments to reflect any reasoned amendments agreed by Parliament at Stage 1, a written explanation will be provided to the Finance and Constitution Committee in advance of Stage 2.

## Budget revisions

Budget revisions allow the Scottish Government to make in-year changes to the Budget Act for that financial year through subordinate legislation. Revisions are normally produced twice per annum in 'autumn' (usually September/October) and 'spring' (usually January/February). They are considered by the Finance and Constitution Committee which is then invited to recommend to the Parliament that the Budget (Scotland) Act Amendment Regulations be approved.

The BPRG noted that the process for Budget Revisions will need to change to reflect the increasing impact of further devolution and the changes to the funding arrangements for the Scottish Government.

Given the increased complexity and potential volatility of the Scottish budget, the BPRG recommended that the Spring Budget Revision is "accompanied by a mid-year report on revenue and spending up to the end of December of the current financial year." These mid-year reports will then be scrutinised by the Finance and Constitution Committee alongside the Amendment Regulations.

## Implementation timetable

The following table from Annex B of the BPRG report, outlines the key events in the proposed new budget process, and the implementation date.

## Timing of key budget documentation

Document	Timing in Budget Scrutiny Cycle	Date of Implementation
Framework Document for a Scottish Spending Review	Prior to summer recess in a Spending Review year	(Prior to summer recess) – Next Spending Review year
Medium Term Financial Strategy	Following the UK Spring Statement and at least four weeks prior to the summer recess	At least four weeks prior to summer recess 2018
Additional Equalities Information	Prior to the summer recess	Spring 2018
Fiscal Framework Outturn Report	September	September 2018
Budget Document, Budget Bill and Equality Budget Statement	No more than three working weeks after the UK Budget	Autumn 2018
SFC Forecasts post Spring Statement	At the same time as the Medium Term Financial Strategy	At least four weeks prior to summer recess 2018
SFC Forecasts post UK Autumn Budget	At the same time as the Scottish budget	Autumn 2017
Parliamentary Committees Pre Budget Reports	At least six weeks prior to publication of the Scottish Budget	Autumn 2018
<b>Budget Bill Process</b>		
Committees' Debate	Following publication of the Budget Bill and before Stage One debate	January / February 2019
Stage One		January / February 2019
Stage Two		January / February 2019
Scottish Rate Resolution		January / February 2019
Stage Three		January / February 2019

The BPRG recommended that the Scottish Parliament and Scottish Government review the revised budget process following the outcome of the review of the Fiscal Framework (planned for 2021).

# Annexe

The BPRG report presents the key components of the revised budget process and these are reproduced in the following table.

## Components of the Revised Budget Process

Activity	Purpose	Key documentation
Budget evaluation and formulation	Committees seek to influence the budget prior to firm proposals being published through constructive dialogue with ministers, public bodies and other stakeholders. This is based on evidence gathering, review and evaluation of existing policy priorities, how these are being funded and implemented and what is being achieved. This includes consideration of the financial, economic and policy context and should be a cumulative process throughout each session of the Parliament.	Medium Term Financial Strategy (Post UK Spring Statement) – SG. Fiscal Framework Outturn Report (September) – SG. Performance planning & reporting – SG, public bodies, auditors & Public Audit committee.
Pre-budget reports	Each committee writes to ministers at least 6 weeks prior to the publication of the budget setting out their views on the delivery and funding of existing policy priorities, any proposed changes and how these should be funded.	Pre-budget reports – committees
Budget Bill & Budget Document	Ministers publish Budget Bill and Budget Document no more than three working weeks after the UK budget. The Budget Document should include a summary of how the submissions from committees have influenced the formulation of the proposals alongside a Budget Bill. Within five sitting days of the budget being published ministers will provide a more detailed written response to individual committees. Ministers then provide oral evidence to committees. Committees consider whether they are content with the Government response and may suggest alternative proposals through reasoned amendments to the Government’s motion on the general principles. Each committee convener is allocated time in a chamber debate on pre-budget reports.	Budget Bill – SG Budget document incorporating Spending Review when undertaken – SG Ministerial responses to pre-budget reports – SG Other supporting documentation – SG Equality Budget Statement – SG Committee Pre-Budget reports
Budget Bill: Stage 1 debate	Committee conveners move any reasoned amendments if selected by the Presiding Officer.	Budget Bill reasoned amendments (January) – Committees
Budget Bill: Stages 2 & 3	Scottish Government may lodge amendments at Stage 2 and Stage 3. This may include in response to reasoned amendments agreed by the Parliament at Stage 1. If the Government does not intend to lodge amendments to reflect reasoned amendments agreed at Stage 1 then ministers must provide a written response in advance of stage 2 for consideration by the Finance and Constitution Committee.	Ministerial response to reasoned amendments (February) – SG Budget Bill amendments (February) – SG
Budget Revisions	Scottish Government may make Regulations to amend budget totals in accordance with any provisions in the Budget Bill. The Finance and Constitution Committee will consider whether it is content with these, making reference to a report on annual revenues & spending to date.	Budget amendment Regulation (November / February) – SG Supporting documentation (November/ February)– SG Mid-year report on revenue & spending (February) - SG

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