



The Scottish Parliament
Pàrlamaid na h-Alba

Published 9 December 2022
SP Paper 279
11th Report, 2022 (Session 6)

Finance and Public Administration Committee

Subordinate Legislation: The Budget (Scotland) Act 2022 Amendment Regulations 2023



Published in Scotland by the Scottish Parliamentary Corporate Body.

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Finance and Public Administration Committee

To consider and report on the following (and any additional matter added under Rule 6.1.5A)—

(a) any report or other document containing proposals for, or budgets of, public revenue or expenditure or proposals for the making of a Scottish rate resolution, taking into account any report or recommendations concerning such documents made by any other committee with power to consider such documents or any part of them;

(b) any report made by a committee setting out proposals concerning public revenue or expenditure;

(c) Budget Bills; and

(d) any other matter relating to or affecting the revenue or expenditure of the Scottish Administration or other monies payable into or expenditure payable out of the Scottish Consolidated Fund.

(e) matters relating to public service reform and the National Performance Framework within the responsibilities of the Deputy First Minister and public administration.

2. The Committee may also consider and, where it sees fit, report to the Parliament on the timetable for the Stages of Budget Bills and on the handling of financial business.

3. In these Rules, “public expenditure” means expenditure of the Scottish Administration, other expenditure payable out of the Scottish Consolidated Fund and any other expenditure met out of taxes, charges and other public revenue.



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Introduction

1. At its meeting on 22 November 2022, the Committee considered the following item of subordinate legislation:
 - The Budget (Scotland) Act 2022 Amendment Regulations 2023
2. The Committee took evidence from the Minister for Public Finance, Planning and Community Wealth on the instrument at the meeting and reports to the Parliament as follows.

The Budget (Scotland) Act 2022 Amendment Regulations 2023

3. The Regulations ¹ were laid before the Parliament on 1 November 2022 and amend the Budget (Scotland) Act 2022, which authorised the Scottish Government's spending plans for the current financial year. The Regulations were subsequently withdrawn, and an amending instrument was laid on 4 November to correct a minor error.
4. The Regulations are subject to affirmative procedure, which requires Parliament to approve them within a 40-day period. The Delegated Powers and Law Reform (DPLR) Committee, which considers the technical aspects of the instrument, considered the Regulations on 8 November 2022 and had no issues to report ².
5. During its scrutiny of the Regulations, the Committee also considered the content of the 'Autumn Budget Revision 2022-23: Supporting Document' ³ which explains the changes proposed in the instrument and provides details of Level 2 and 3 budgets.
6. The Scottish Government produced a detailed guide to the Autumn Budget Revision (ABR Guide) and the Scottish Parliament Information Centre's Financial Scrutiny Unit produced a briefing to support the Committee's scrutiny of the Regulations. These documents were published as part of the meeting papers for 22 November 2022 ⁴.
7. Committee scrutiny of the ABR follows the publication of the Scottish Government's Emergency Budget Review ⁵ (EBR) on 2 November, which listed savings totalling £615 million. Prior to publication of the EBR, the Deputy First Minister wrote to the Committee on 7 September setting out £560.4 million (m) of in-year savings to support improved public sector pay deals and cost of living support.
8. The changes proposed in the ABR result in an increase in the approved budget of £805.9m from £56,179.2m to £56,985.1m. The main changes to the Scottish Government's spending plans as set out in the ABR supporting document are:
 - "funding changes to reflect deployment of available resources to portfolios (total net increase to the budget of £691.5m),
 - technical adjustments (net increase to the budget of £106.5m),
 - Whitehall Transfers and HM Treasury allocations to the Scottish Government (£7.9m), and
 - the transfer of resources between Scottish Government portfolios."
9. On 22 November 2022, the Committee took evidence on the Regulations from:
 - Tom Arthur, Minister for Public Finance, Planning and Community Wealth; and
 - Niall Caldwell, Corporate Treasurer, Scottish Government.

10. During evidence, the Committee asked a number of questions of the Minister, the responses to which can be found in the Official Report ⁶. The Minister also wrote to the Committee on 30 November 2022 with further information on some of the issues raised during the evidence session, including updates on:
- the Fiscal Framework Review;
 - the Finance: Interministerial Standing Committee (F:ISC);
 - Capital budgeting and flexibilities;
 - the Rural Development Fund;
 - Unfunded pressures and the Emergency Budget Review;
 - Capital Education savings; and
 - The publication of the ‘Guide to the Budget Revision’.

The Minister’s letter is available on the Committee’s website ⁷.

11. An area of particular interest to the Committee was the Scottish Government’s approach to reclassifying savings from capital budgets. The Autumn Budget Revision includes capital savings of approximately £150 million, and the Scottish Government has confirmed it is seeking flexibility from the UK Government to reclassify these capital savings to resource budgets due to the extenuating circumstances in the current financial year. The Minister clarified in his letter that:

” “Ministers have requested some limited additional flexibility to offset a reduction in capital spending against resource budget commitments. This is on an exceptional basis given the specific circumstances the Scottish Government face this year. No such allowance has been granted in the past and we await HM Treasury’s decision on this request.” ⁷

12. During oral evidence, the Minister emphasised the significant volatility and uncertainty associated with allocations identified within the Autumn Budget Revision, particularly in relation to the costs of resettlement of refugees arriving from Ukraine and Police and Fire Pensions, the impact of which may become clearer by the time of the Spring Budget Revision (SBR) in 2023.
13. A number of potential underspends were identified in the Autumn Budget Revision and discussed during evidence with the Minister, specifically in the areas of net zero, energy and transport (NZET), rural affairs and islands, social justice, housing and local government.
14. In relation to capital reduction in the NZET portfolio, the Minister confirmed the reduction reflects lower than expected demand due to “inflationary pressures and supply chain challenges [which] have resulted in project delivery slipping”. The Minister further stated that net zero remains “a clear priority and focus” and the Scottish Government is currently providing support for feasibility studies and business cases to secure investment and is beginning to support a number of multiyear projects, with the aim of providing greater certainty for spend in future years.

15. In addition to the above, the Minister confirmed in the ABR Guide that the majority of the total figure of £560m total resource and capital savings that the Scottish Government identified on 7 September to help it to balance the budget have been included within the ABR. A remaining £191.5 million of the £560m will be reflected in the SBR and “The vast majority of these amounts are reductions to previously unfunded pressures which have emerged since the Scottish Budget was published. There may be savings included in this list that will come through in the SBR exercise.”
16. The Minister confirmed that of the £615 million of additional options for spending reductions and reprioritisations identified on 2 November through the EBR “Again, some of that might be ultimately reflected in the SBR, where required. Only a very small amount is reflected in the ABR.”
17. A further area explored during oral evidence relates to internal transfers. The ABR includes a £64m transfer from Health and Social Care to Education and Skills, covering the teaching grant for Nursing and Midwifery students. In response to the question on why there is an in-year transfer of training resources every year, the Minister argued that the Scottish Government’s approach provides clarity:

” “Clearly, that contributes towards outcomes in the health portfolio, but it is delivered through the education portfolio [...] We want to provide as much clarity as possible. It is part of the health spend, but the transfer takes place because of how it is delivered.”⁶
18. The Committee is unclear why, if the resources are going to be transferred each year, they are not included in the Education and Skills portfolio to start with.
19. Following the discussion, the Minister moved motion S6M-06548—That the Finance and Public Administration Committee recommends that the Budget (Scotland) Act 2022 Amendment Regulations 2023 [draft] be approved.
20. Motion S6M-06548 was agreed to without division.
21. The Finance and Public Administration Committee therefore recommends that the Budget (Scotland) Act 2022 Amendment Regulations 2023 [draft] be approved.

- [1] The Budget (Scotland) Act 2022 Amendment Regulations 2023. (n.d.) Retrieved from <https://www.legislation.gov.uk/sdsi/2023/9780111055700/introduction>
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- [4] Scottish Parliament. (2022). Agenda and Papers for Finance and Public Administration Committee 30th Meeting, 2022 Tuesday, November 22, 2022. Retrieved from <https://www.parliament.scot/chamber-and-committees/committees/current-and-previous-committees/session-6-finance-and-public-administration-committee/meetings/2022/fpas62230/agenda>
- [5] Scottish Government. (2022). Emergency Budget Review: 2022 to 2023. Retrieved from <https://www.gov.scot/publications/emergency-budget-review-2022-23/>
- [6] Scottish Parliament. (2022). Official Report of Finance and Public Administration Committee, Tuesday, November 22, 2022 . Retrieved from <https://www.parliament.scot/chamber-and-committees/official-report/search-what-was-said-in-parliament/FPA-22-11-2022?meeting=14012&iob=126965>
- [7] Scottish Parliament. (2022). Letter from the Minister for Public Finance, Planning and Community Wealth to the Convener of 30 November 2022. Retrieved from <https://www.parliament.scot/chamber-and-committees/committees/current-and-previous-committees/session-6-finance-and-public-administration-committee/correspondence/2022/autumn-budget-revision-2022-23-follow-up-from-meeting-on-22-november-2022>

