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Pàrlamaid na h-Alba

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Finance and Public Administration Committee

Subordinate Legislation: The Budget (Scotland) Act 2023 Amendment Regulations 2023 [draft]



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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 [7 November 2023](#), the Committee took evidence from the Minister for Community Wealth and Public Finance on—
 - [The Budget \(Scotland\) Act 2023 Amendment Regulations 2023 \[draft\]](#)("the Regulations")
2. During its scrutiny of the Regulations, the Committee also considered the content of [the Budget \(Scotland\) Act: Autumn Budget Revision 2023-24 Supporting Document](#), which provides additional information regarding the revised spending plans for which the Scottish Government is seeking Parliamentary approval.
3. The Scottish Government also produced a detailed Guide to the Autumn Budget Revision, 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 7 November 2023.

The Regulations

4. The Regulations were laid on 28 September 2023. The purpose of the Regulations is to make in-year changes to [The Budget \(Scotland\) Act 2023](#), which authorised the Scottish Government's spending plans for the current financial year.
5. The changes proposed in the Autumn Budget Revision (ABR) result in an increase in the approved budget of £562.4 million from £59,643.5 million to £60,205.9 million.
6. The ABR supporting document states that the changes to the Scottish Government's spending plans are broken down into four main areas as follows:
 - Funding changes to reflect deployment of available resources to portfolios (total net increase to the budget of £361.3 million);
 - Technical adjustments (net increase to the budget of £188.0 million);
 - Whitehall Transfers and HM Treasury allocations to the Scottish Government (£13.1 million); and
 - The transfer of resources between Scottish Government portfolios.

Delegated Powers and Law Reform

Committee consideration

7. In correspondence with the Scottish Government, prior to it formally considering the draft Regulations at its meeting on [31 October 2023](#), the Delegated Powers and Law Reform (DPLR) Committee queried aspects of the drafting of three provisions. These were as follows—
 1. Regulation 2(b) of the instrument amends the amount specified for the Scottish Parliamentary Corporate Body, but it replaces the existing figure in section 4(3)(a) of the 2023 Act with the same figure.
 - The Scottish Government advised that the insertion of an unchanged figure was unintentional, but that the figure remains correct.
 2. Second, Regulation 3(2)(c)(iv) amends purpose 3 in schedule 1 of the Act, which sets out policy purposes against which resources are allocated. It changes: “support for Growth Accelerator and Green Growth Accelerator programmes” to “support for Growth Accelerator programmes”.
 - The Scottish Government advised that failing to make “programmes” singular when removing the reference to the “Green Growth Accelerator” programme was an oversight. It has given a commitment to address this in the next amending instrument.
 - The DPLR Committee welcomed the Scottish Government’s commitment to address this in the next amending instrument.
 3. Third, amendments by regulation 3(2)(i)(ii) and (iv) to purpose 9 in schedule 1 introduces two references to “the organisation”: “funding of a strategy function which supports effective policy across the organisation”; and “expenditure on corporate and central services, funding to support the central performance, delivery and resilience functions of the organisation”. The DPLR Committee queried what “the organisation” refers to.
 - The Scottish Government advised it refers to the Scottish Administration, and that it considers this is clear from the context of schedule 1, which sets out the various purposes for which the Scottish Administration may use resources.
 - The term “organisation” is not defined in the instrument or the 2023 Act. The Committee also noted that various other bodies are mentioned in purpose 9 which could be described as organisations in their own right, funded by the Scottish Administration.
 - The DPLR Committee invited the Scottish Government to consider addressing this in the next amending instrument.
8. The [Committee’s report](#), published on 1 November 2023, confirmed that, for the reasons outlined above, the Committee agreed to draw the instrument to the attention of the Parliament.

Finance and Public Administration Committee consideration

9. On 7 November 2023, the Committee took evidence on the draft Regulations from:
 - Tom Arthur, Minister for Community Wealth and Public Finance;
 - Craig Maidment, Finance Manager, Scottish Government; 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](#).

Transparency

11. The Committee has previously corresponded with the Deputy First Minister and Cabinet Secretary for Finance on [21 September 2023](#) and [17 October 2023](#) in relation to proposals to improve Budget transparency. The Committee continued this dialogue with the Minister, seeking responses to several questions regarding the transparency of decisions made as part of the ABR.
12. As with previous years, questions were asked about the in-year movement of significant internal transfers between portfolios. As the Committee heard, these transfers arise because funding allocated in the Budget to areas accountable for policy is then reallocated, in-year, to those areas responsible for policy delivery.
13. Responding, the Minister confirmed that these issues are being actively considered and “it is being done in the context of the Verity house agreement, given that a number of transfers to local government take place.” He added that “we are considering how we can address those matters and how that will inform the presentation of the forthcoming budget.”
14. In its correspondence with the Deputy First Minister, the Committee has been seeking greater transparency in Scottish Budget documents to include publication of outturn and latest forecasts as prior year comparators to the budget being proposed.
15. In response, the Minister explained that this is a shared endeavour between the Scottish Government and the Finance and Public Administration Committee. He added, however, that there is a balance to be struck between “consistency of messaging and understanding of what the numbers actually say,” without an “overprovision of information, although well intentioned, [which] can add to the complexity and make it more challenging for the budget to be understood and comprehended more widely.”

16. **The Committee acknowledges the increased transparency provided in the supporting document and the guide to the ABR. We welcome the Minister’s commitment to engage with the Committee regarding the level of detail it**

would like to see provided in documentation surrounding budgetary decisions and revisions.

17. **The Committee would welcome an update, alongside the Spring Budget Revision for 2023-24, on the impact of the Verity house agreement on in-year budget movements resulting from transfers between portfolios accountable for policy to portfolios responsible for delivery (such as the local government budget within the Deputy First Minister and Finance portfolio).**
18. **The Committee notes that the Scottish Government is considering the future presentation and transparency of Budgets (with prior year comparators) and budget revisions, especially in the context of the Verity house agreement. We look forward to scrutinising how this is taken forward in the 2024-25 budget.**

Reprofiling

19. The Committee heard that, as a consequence of in-year reprofiling of expenditure, some funding for specific organisations has been moved, in-year, for redistribution to other priority areas.
 - i. The Minister committed to provide further information about the reprofiling, across the years, of pupil equity funding within the Education and Skills portfolio which had resulted in funding being returned, in-year.
 - ii. A combination of common agricultural policy pillar 1 and environmental and agricultural reform funding had resulted in £40 million of funding “returned to the centre because forecasts were lower than anticipated.” The Minister confirmed that there “is a commitment to return those amounts to the rural portfolio in future financial years.”
 - iii. In relation to Creative Scotland’s budget, funding had also been returned in-year. The Minister explained that the Scottish Government had already committed to reinstate that funding in future years.
20. Following our evidence session on 7 November 2023, the Constitution, Europe and External Affairs Committee (CEEAC) [wrote to the Committee](#) regarding the commitment made at Stage 3 of the 2023-24 Budget to reverse a proposed £6.6 million cut to Creative Scotland’s funding. The detail of the budget revisions for the increased funding commitments was to be reported to Parliament as part of the ABR, however the CEEAC noted that there was no mention of the commitment made, and no explanation in the ABR or its supporting document.
21. While CEEAC recognised that the reinstatement of this cut was not required to be formally reported in the ABR, it considered that an explanation why should have been and therefore brought it to the FPA Committee’s attention.

22. **We note the Minister’s commitment that some funding returned by organisations, as a result of in-year reprofiling, will be returned to those organisations in subsequent years. To aid transparency we recommend that once such funding is returned, it is identified as such in the subsequent budget (or budget revision) document.**

Management of Reserves

23. In evidence, the Committee heard that some reductions in portfolios arose as a result of organisations using reserves enabling funding to be returned to the Government – for example, Forestry and Land Scotland was highlighted as having returned £6 million in-year as a result of using its reserves. This, the Minister explained, meant that the funding could then be reallocated to meet the “very challenging fiscal environment that we are in”.

24. **The Committee welcomes the Minister’s commitment to provide further information on the management of reserves across the public sector and in particular—**

- **the level of reserves across portfolios managed by the Scottish Government;**
- **a summary of the rules that determine whether or not agencies can hold reserves; and,**
- **any Government policy or guidance on managing reserves (including the levels of reserves) in the public sector.**

25. **We look forward to considering the Minister’s response in due course. The response will be published on the Committee’s website once received.**

26. **In relation to the significant reprofiling of police pensions in-year (arising from increased volatility in demand) we welcome the Minister’s commitment to “reflect on how we can refine our forecasting in order, we hope, to move to having, at the outset, a number that is much closer to the outturn.” We look forward to considering the outcome of the Minister’s reflections in due course.**

27. **We also welcome the Minister’s commitment to engage with Scottish Public Pensions Agency to provide detail to the Committee regarding the extent to which the increased volatility of demand around police pensions may be a continuation of increased retirement numbers experienced during the Covid-19 pandemic, and whether this was seen to be a one-off or is expected to continue.**

Conclusion

28. Following evidence, the Minister for Community Wealth and Public Finance moved motion S6M-10683—

That the Finance and Public Administration Committee recommends that The Budget (Scotland) Act 2023 Amendment Regulations 2023 [draft] be approved.

29. **Motion S6M-10683 was agreed to without division.**

