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Finance and Public Administration Committee

Subordinate Legislation: The Budget (Scotland) Act 2024 Amendment Regulations 2024 [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 the National Performance Framework within the responsibilities of the Deputy First Minister, public service reform within the responsibility of the Cabinet Secretary for Finance and Local Government, and public administration.



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Introduction

1. At its meeting on [12 November 2024](#), the Committee took evidence from the Minister for Public Finance on—

[The Budget \(Scotland\) Act 2024 Amendment Regulations 2024 \[draft\]](#)

2. During its scrutiny of these Regulations, the Committee also considered the content of [The Budget \(Scotland\) Act: Autumn Budget Revision 2024-25 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*. Following the UK Government's Autumn Budget on 30 October 2024, the Scottish Government wrote to the Committee and provided an update on the impact of this on the Scottish Government Budget for 2024-25. The Financial Scrutiny Unit in SPICe produced a briefing which sets out analysis of the changes in the Autumn Budget Revision (ABR) as well as those resulting from the UK Government's Autumn Budget. These documents and the Scottish Government update were published as part of the [meeting papers for 12 November 2024](#).

The Regulations

4. The Regulations were laid on 3 October 2024. The purpose of the Regulations is to make in-year changes to [The Budget \(Scotland\) Act 2024](#), which authorised the Scottish Government's spending plans for the current financial year (2024-25).
5. The Scottish Government's *Guide to Autumn Budget Revision* explains that the changes proposed in the ABR result in an increase in the approved budget of £1,126.6 million, from £59,322.5 million to £60,449.0 million.
6. The Guide 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 £1,066.2 million);
 - Technical adjustments (net increase to the budget of £42.2 million);
 - Whitehall transfers and HM Treasury allocations to the Scottish Government (£18.1 million); and
 - The transfer of resources between Scottish Government portfolios.
7. The ABR Supporting Document confirms that, since the Scottish Government's 2024-25 Budget was published, there have been changes in portfolio responsibilities following the appointment of the new First Minister on 7 May. Table 1.2 in the ABR Supporting Document provides a reconciliation between the budget agreed for 2024-25 for the previous portfolios and the new portfolio structure.

Delegated Powers and Law Reform Committee consideration

8. The Delegated Powers and Law Reform (DPLR) Committee considered the instrument on [29 October 2024](#) and reported on it in its [61st Report, 2024](#). The DPLR Committee made no recommendations in relation to the instrument.

Finance and Public Administration Committee consideration

9. On 12 November 2024, the Committee took evidence on the draft Regulations from—
 - Ivan McKee, Minister for Public Finance
 - Craig Maidment, Senior Finance Manager, Scottish Government
 - Claire Hughes, Head of Corporate Reporting, 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](#).

Resource changes

Additional funding following UK Government Autumn Budget

11. In his opening statement, the Minister highlighted that the ABR predates the UK Government Autumn Budget, and that, therefore, no changes arising from that budget were included in the ABR.¹
12. The Minister stated that the amount provided by way of resource Barnett consequential arisings arising from the UK Government Autumn Budget, which amount to £1.433 billion, was broadly consistent with what had already been factored into the Scottish Government's internal planning. The Minister explained that the Scottish Government is not, therefore, in a position to reverse the policy decisions which had resulted in savings announced by the Cabinet Secretary for Finance and Local Government on 3 September 2024. Those savings are detailed in the Cabinet Secretary's [letter to the Committee](#) of the same date and as are follows:
 - Up to £60 million from emergency spending controls within the Scottish Government;
 - £65 million of savings from the removal of the discounted Rail Peak Fares and the concessionary fares extension to asylum seekers pilot plus agreement for local government to use some other funds to instead fund the pay deal offered to council refuse workers;
 - £188.5 million identified from "additional specific savings across all portfolios" of which £116.5 million is reflected in the ABR;
 - Plans to drawdown £460 million of Scotwind revenues;
 - £160 million from the Scottish Government's decision to mirror the UK Government's decision not to retain universality in the winter fuel payment albeit how this £160 million will be accounted for is not yet clear.
13. In evidence, the Committee asked the Minister for further detail regarding how the Scottish Government had formulated its assumption that these Barnett

consequentials would amount to the £1.433 billion.

14. The Minister responded that, prior to the UK Government's Autumn Budget, the Scottish Government makes estimates based on what it expects will occur, and then works within a range of anticipated consequentials. As such "It is an on-going process. We always work to planning assumptions and contingencies within a range." The £1.433 billion was towards the "upper end of what we expected".
15. He stated that the Scottish Government had an estimate of the funding that would be required to support its public sector pay deals and its expectation was that there would be additional health consequentials. As such, these two areas would then make up a large portion of the consequentials received.
16. The Committee asked the Minister whether the £1.433 billion of additional funding had been factored into the Scottish Government's internal planning assumptions at the time of the Cabinet Secretary for Finance and Local Government's announcement on 3 September 2024. The Minister confirmed that the Scottish Government would have been operating in a range, and that "the decisions that were taken at that point were necessary to balance the position, as we saw it, regarding the pressures that were on the budget."

Public sector pay

17. In evidence, the Committee heard that public sector pay increases represent a significant pressure on the Scottish budget. The Committee noted that the Scottish Government's assumption, as outlined in its Public Sector Pay Policy and factored into the budget assumptions, was that public sector pay increases for the current financial year would be 3 percent.
18. Scottish Government officials explained that this pay increase was recommended by the Scottish Government Pay Team following research, engagement with bodies, and consideration of trends, data and inflation. Officials stated that they "did not realise that the UK pay review bodies were going to come out with a slightly different set of recommendations." The UK Government accepted the pay recommendations of the independent Pay Review Bodies, meaning that public sector employees will see their pay increase by between 4.75% and 6% in 2024–25, depending on occupation.
19. The Committee raised concerns that the Pay Policy was not published until 30 May 2024, 5 months after the Scottish Budget for 2024-25 which it informed. It was not, therefore, available at the time the Budget for 2024-25 was scrutinised by the Scottish Parliament. We also highlighted concerns previously raised in our [Budget Scrutiny 2024-25](#) and [Pre-Budget Scrutiny 2025-26](#) reports that the policy was not provided to the Scottish Fiscal Commission (SFC), as is required under the protocol between the Scottish Government and the SFC. The SFC forecasted the pay increase to be 4.5 percent.
20. When asked about the disparity between the Scottish Government and SFC's assumptions regarding the extent of the public sector pay increases, the Minister stated that—

- ” at the time when that budgeted number for pay was included, it was our best estimate of where that would land. Clearly, things evolved over a period of time, and adjustments had to be made as a consequence.
21. He added that, had the Scottish Government assumed higher public sector pay increases at the time of its Budget 2024-25, then in order to deliver a balanced budget—
- ” there would have had to be significant cuts in the budget much earlier in that process. We would then have found ourselves, later in the day when the consequences had come through, in a position of being unable to spend that money in-year because of how late it was coming through.
22. In relation to the UK Government Autumn Budget, the Minister explained that it remains uncertain about the size of the Barnett consequential arising from the UK Government’s decision to increase National Insurance Contributions for employers. The Scottish Government has estimated that reimbursement of the costs of this increase to the Scotland’s public sector to be around £500 million although the exact level of compensation was, at that time, still under consideration by UK Treasury.

Transfers between portfolios

23. As with previous years, the Committee raised questions about the in-year movement of significant internal transfers between portfolios. The Committee heard that 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.
24. The Minister stated that the Scottish Government has a policy of minimising these transfers, and that £1 billion of transfers had been baselined to remove it from the process this year. The Minister explained that “it is about policy decisions being made in one portfolio, with a different portfolio doing the delivery.” He added that although there would continue to be a need for revisions and transfers, “due consideration” would be given to the Committee’s concerns, in order to achieve transfers involving smaller amounts.
25. The Committee asked to what extent in-year transfers reflect the Scottish Government’s priorities. The Minister stated that “in-year transfers reflect the Government’s priorities, but there will be situations when we will need to address specific issues that arise.”
26. The Committee noted that, in order to measure the effectiveness of delivery of a specific policy, it is helpful to understand the rationale behind the Scottish Government’s decision to transfer money between portfolios.
27. The Minister stated that the Scottish Government strives to be transparent, and “to explain why there are changes in specific budget lines”. However, he noted that considering only the top level of these changes “can perhaps be slightly misleading in relation to the reality of why specific budget lines have been increased or decreased. Quite often, it is about technical or demand-led issues”.

Capital

28. During the evidence session, the Committee requested that the Minister provide an update on the capital position. This followed on from a capital underspend of £130.4 million in the previous financial year which was carried over to the current financial year (2024-25). The Minister explained that—

” In the autumn budget revision, there was an increase in capital funding of just short of £60 million. As you rightly say, we saw a level of underspend carried forward in the reserve, which allowed us to reverse out a resource-to-capital switch that had occurred previously. That switch was done to enable us to have the capital funding that we required, but because of how the capital budget worked out, the underspend on certain areas allowed us to reverse that.

Use of ScotWind revenues

29. In the Cabinet Secretary’s statement to Parliament on 3 September 2024, a number of in-year changes were announced, including the Scottish Government’s plans to drawdown £460 million of ScotWind revenues to help balance the budget. These revenues, as the Minister explained, were originally intended to be used “wherever possible, to support net zero capital projects, because that is where we see our getting value for that money.”

30. In evidence, the Minister explained that, at the time the Scottish Government announced its intention to drawdown ScotWind revenues on 3 September “there was a lack of clarity on the scope and scale of the consequential that were coming from the UK Government, and it was necessary to use that money over that short period of time to be able to manage through that process, given our lack of borrowing powers.”

31. He noted that, as there is now greater clarity regarding the UK funding position, the Scottish Government will be able to work towards reversing the use of ScotWind revenues. He stated that “the strategic intention as to how to use that money is absolutely clear, and we are working to get back to that position.”

32. Given the concerns surrounding the Scottish Government’s use of a one-off pot of money to balance the budget for 2024-25, the Committee asked the Minister what the Scottish Government’s position would have been had the ScotWind funds not been available to draw down. The Minister responded that—

” Clearly, the pressure would be increased; that goes without saying. There are potentially other levers, but some of the decisions that we have had to make would have been harder. ... There would have been things that, frankly, we might not have been able to do.

33. The Minister stated that “as we move through the rest of this year and the budget picture becomes clearer ... our intention is for the ScotWind money to be substantially available for capital investment.” He stated that further clarification regarding the use of ScotWind revenues will be made available throughout the budget process and in the Spring Budget Revision.

34. The Minister committed to follow up with the Committee in writing on a number of issues raised during the evidence session. The Committee looks forward to

considering this further information in due course.

Conclusion

35. Following evidence, the Minister for Public Finance moved motion S6M-14800—

That the Finance and Public Administration Committee recommends that the Budget (Scotland) Act 2024 Amendment Regulations 2024 [draft] be approved.

36. Motion S6M-14800 was agreed to without division. The Finance and Public Administration Committee therefore recommends that the Budget (Scotland) Act 2024 Amendment Regulations 2024 [draft] be approved.

- [1] Finance and Public Administration Committee. (2024, November 12). Official Report. (2024). Retrieved from <https://www.parliament.scot/chamber-and-committees/official-report/search-what-was-said-in-parliament/FPA-12-11-2024?meeting=16102>

