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## Finance and Public Administration Committee

# Subordinate Legislation: The Budget (Scotland) Act 2023 Amendment Regulations 2024 [draft]



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# Contents

<b>Introduction</b>	<b>1</b>
<b>The Regulations</b>	<b>2</b>
<b>Delegated Powers and Law Reform Committee Consideration</b>	<b>3</b>
<b>Finance and Public Administration Committee Consideration</b>	<b>4</b>
Fiscal Sustainability	4
Capital Spending	4
Transparency	5
Police Pensions	6
<b>Conclusion</b>	<b>7</b>

# 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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# Committee Membership



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# Introduction

1. At its meeting on [5 March 2024](#), the Committee took evidence from the Minister for Community Wealth and Public Finance on—

[The Budget \(Scotland\) Act 2023 Amendment Regulations 2024 \[draft\]](#) (“the Regulations”)

2. During its scrutiny of the Regulations, the Committee also considered the content of the [Budget \(Scotland\) Act: Spring 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 provided a detailed Guide to the Spring 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 [5 March 2024](#).

# The Regulations

4. The Regulations were laid on 1 February 2024. 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 Spring Budget Revision (SBR) result in a decrease in the approved budget of £1,746.5 million, from £60,205.9 million to £58,459.4 million.
6. The SBR 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 £564.8 million);
  - technical adjustments (net decrease to the budget of £2,455.7 million);
  - Whitehall Transfers and HM Treasury allocations to the Scottish Government (£144.4 million); and
  - the transfer of resources between Scottish Government portfolios.

# Delegated Powers and Law Reform Committee Consideration

7. The Delegated Powers and Law Reform Committee, which considers the technical aspects of the instrument, considered the draft Regulations on [20 February 2024](#) and had [no issues to report](#).



# Finance and Public Administration Committee Consideration

8. On 5 March 2024, the Committee took evidence on the draft Regulations from:
  - Tom Arthur, Minister for Community Wealth and Public Finance;
  - Scott MacKay, Head of Finance Co-ordination; and
  - Craig Maidment, Senior Finance Manager, Scottish Government.
9. During evidence, the Committee asked a number of questions of the Minister, the responses to which can be found in full in the [Official Report](#) of the meeting. A summary of key issues raised is provided below.

## Fiscal Sustainability

10. Given our ongoing interest in the need to ensure long-term fiscal sustainability, the Committee sought further information from the Minister regarding the £284.2m increase for social security spending in the SBR, including the reasons for the significant difference between anticipated and actual spend in this area.
11. The Minister told the Committee that “we are cognisant of the need for long-term sustainability, so we monitor the position on social security spend very carefully”. Scottish Government officials suggested that “managing £6 billion-worth of social security expenditure that is demand led within the narrow limits of the flexibilities that we have is a continual challenge”, adding that the social security team is continually developing their modelling, “but we do see volatility”.

## Capital Spending

12. The Committee asked the Minister about the changes made to capital funding by the SBR, including an additional £235m of capital funding for the health and social care portfolio.
13. The Minister explained that the additional capital funding is intended to support the in-year position, and to help health services to address pressures arising from inflation, stating that the additional spend will “cover a range of capital expenditure across the health portfolio.”
14. The Committee requested that the Minister provide further details regarding where this capital funding will be spent and invested, the impact of inflation and the increased pressure on supply chains on capital projects, and those areas in which there have been cost overruns. The Minister indicated that he would also endeavour to provide follow up information to the Committee regarding the overall impact of inflation within the construction sector and its impact on capital projects.
15. The Committee also raised questions concerning how decisions regarding the

prioritisation and reprofiling of capital spend are made by the Scottish Government.

16. Scottish Government officials explained that—

"In addition to in-year monitoring, we have a well-established programme on and an awareness of the overall capital projects across each portfolio and the scope to vary the profile of those over the year. There is active management of that programme in-year. For example, if there is slippage in one area, we know that there is scope to advance some expenditure in other areas. A dialogue takes place over the year about what capacity exists in individual portfolio areas to redeploy such resources elsewhere."

## Transparency

17. The Committee requested that the Minister provide detail of the activities supported by the additional £29.8m funding provided to the Scottish Qualifications Authority within the additional £54.1m funding for the education and skills portfolio.

18. The Minister explained that the additional funding reflects "pay awards, appointee costs following the introduction of curriculum for excellence, to ensure alignment with the real living wage, inflation and other operational costs".

19. The Committee suggested that, where there have been significant funding changes, the inclusion in budget documentation of a breakdown of the changes and the reasons behind them would aid transparency. The Minister indicated he would consider including this level of detail in the future.

20. The Minister and Scottish Government officials also set out the challenges faced by the Scottish Government from the finalising of UK supplementary estimates so late in the financial year. Scottish Government officials said that "we engage regularly with Treasury officials and we get an indication of the likely position, which we have incorporated in the document [but], as you can see from the subsequent information, figures have varied quite significantly from the indicative figures, particularly on resource".

21. The Committee also discussed with the Minister potential inefficiencies related to the annual budget process and significant in-year changes. The Minister told the Committee that—

"Ultimately, there is asymmetry in respect of information that the UK Government has and information that we get. We have to make decisions based on assessment of risk and we have to take a cautious prudential approach and ensure that the budget balances at the end of the year. That creates challenges. I do not think that it is inevitable that we should have challenges because of processes related to devolution within the UK. Those things could be addressed, and the matter is worthy of consideration."

## Police Pensions

22. Following our consideration of the [Autumn Budget Revision](#) on [7 November 2023](#) , the Committee requested that the Minister provide detail 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.
23. The Minister’s response to the Committee of [8 February 2024](#) stated that “Covid has not had a significant impact on retirements, with the major change a result of the HM Treasury remedy for the outcome of age discrimination legal case that arose following UK government pension reforms.”
24. During our consideration of the SBR, the Committee asked the Minister whether, given the legal challenge also applied to other public sector professionals, the increased rate at which police officers are retiring can be seen to be entirely due to the change to the police’s pension arrangements.
25. The Minister committed to consult with pensions officials and to provide the Committee with further detail in due course.

26. **The Committee looks forward to receiving the additional detail on the above issues as requested in due course.**

## Conclusion

27. Following evidence, the Minister for Community Wealth and Public Finance moved motion S6M-12053—

That the Finance and Public Administration Committee recommends that the Budget (Scotland) Act 2023 Amendment Regulations 2024 [draft] be approved.

28. **Motion S6M-12053 was agreed to without division.**

