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## Finance and Public Administration Committee

# Annual Report of the Finance and Public Administration Committee 2023-24



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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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# Committee Membership



**Convener**  
**Kenneth Gibson**  
Scottish National Party



**Deputy Convener**  
**Michael Marra**  
Scottish Labour



**Ross Greer**  
Scottish Green Party



**Jamie Halcro Johnston**  
Scottish Conservative  
and Unionist Party



**John Mason**  
Scottish National Party



**Liz Smith**  
Scottish Conservative  
and Unionist Party



**Michelle Thomson**  
Scottish National Party

# Introduction

1. This report provides a summary of the key activities undertaken by the Finance and Public Administration (FPA) Committee during the parliamentary year from 13 May 2023 to 12 May 2024.
2. This is the Committee's third annual report since its establishment in June 2021. In addition to examining Scotland's public finances, the Committee's remit includes scrutiny of public administration in Scotland, public service reform and the National Performance Framework.
3. Full details of our work, including copies of Committee papers and reports can be found on the [Committee's webpage](#).

## Membership changes

4. One Committee membership change occurred during the Parliamentary year: Douglas Lumsden was replaced by Jamie Halcro Johnston from 29 June 2023.

# Committee Meetings

5. During the reporting period, the Committee met 37 times. The Committee predominantly met in person in the Parliament, with a small number of witnesses attending online.
6. Of the Committee's 37 meetings, five meetings were held entirely in public, four meetings were held entirely in private, and 28 meetings included some private items. Committee business tends to be taken in private where future work plans and draft reports are being considered.

## Committee Statistics



37

Committee meetings



155

Number of people who gave evidence



SSIs considered



Reports published

# Scrutiny of Legislation and the Scottish Budget

## Pre-Budget Scrutiny 2024-25 – Sustainability of Scotland’s Finances, including Public Service Reform

7. Drawing on the findings of the Scottish Fiscal Commission (SFC’s) first Fiscal Sustainability Report published in March 2023, the Committee focused its Pre-Budget 2024-25 Scrutiny on the [Sustainability of Scotland’s Finances](#). This work was informed by the evidence we gathered as part of our [inquiry into the Scottish Government’s Public Service Reform Programme](#), given that reform is viewed by the Government as being integral to achieving fiscal sustainability.
8. In addition to gathering written evidence and hearing oral evidence, the Committee, for the first time this session, held a successful engagement event to inform our scrutiny, involving businesses, public bodies, local authorities, and members of the public. Committee Members explored with participants’ their priorities for the Scottish Budget 2024-25 and beyond, given the financial and demographic challenges ahead. The views gathered at the event informed questions to witnesses and the overall findings of the Report. We plan to hold a similar engagement event to inform our Pre-Budget Scrutiny again this year in another area of Scotland.
9. Our Pre-Budget 2024-25 Scrutiny Report, published on 6 November 2023, found that the public service reform programme “involves a collection of disparate workstreams and sectoral reforms, with no overall strategic purpose and with limited oversight and direction from Government”. We therefore recommended that it set out “a clear vision and strategic purpose for what it wants to achieve with its ... reform programme, including how it will provide leadership and oversight to support public bodies to deliver on this vision”.
10. At the Committee’s request, the Scottish Government committed to providing six-monthly updates on its reform programme and the first such update, published in December 2023, set out elements of the vision and strategic purpose requested by the Committee. Reform will be a key element of our Pre-Budget 2025-26 scrutiny, when we will again ask public bodies what progress is being made and how they are being supported by the Government to effect change. As well as this ongoing scrutiny, the Committee also intends to review the overall outcomes of the reform programme towards the end of the parliamentary term.
11. Another key theme of the report is fiscal transparency, a continuing area of interest for the Committee. We welcomed the improvements taken forward by the Scottish Government in this area. We also repeated our request that the Scottish Government adopts a similar approach to that of the UK Government and the SFC in comparing new plans for spending with estimates or outturns from the previous year. In response, the Scottish Government, for the first time, published this information alongside the Scottish Budget 2024-25.
12. Our Report further expressed our continued disappointment at the Scottish



Government's short-term approach to financial planning and affordability over successive years and we continue to seek improvements in this area, including pursuing a debate on, and response to, the SFC's March 2023 Fiscal Sustainability Report.

**Photo 1: The Committee's Pre-Budget 2024-25 engagement event in Largs.**



## Scrutiny of the Scottish Budget 2024-25

13. Informed by written and oral evidence, the Committee's [scrutiny of the Scottish Budget 2024-25](#) built on many of the themes arising from our Pre-Budget Report.

This included expressing our disappointment at the lack of progress with the Scottish Government's reform programme and suggesting that it is "procrastinating on important decision-making that would help support medium- and longer-term sustainability of Scotland's public finances. We further stated that we were unclear that a rounded, strategic approach has been taken to assess and prioritise those areas of spend that will make more impact in delivering the Scottish Government's three Missions of Equality, Opportunity, and Community.

14. In addition, the Report sets out the Committee's findings in relation to our scrutiny of the Scottish Parliamentary Corporate Body's budget bid. This year, we again raised our increasing concerns regarding the growth in the Commissioner landscape in Scotland and noted our intention to carry out an inquiry in this area during 2024.
15. The Committee is grateful to our budget adviser, Professor Mairi Spowage, Director of the Fraser of Allander Institute for her continuing advice and support in relation to our scrutiny of Scotland's public finances.

## **Aggregates Tax and Devolved Taxes Administration (Scotland) Bill**

16. The [Aggregates Tax and Devolved Taxes Administration \(Scotland\) Bill](#) was introduced on 14 November 2023, with the aim of creating an aggregates tax, to be administered by Revenue Scotland. The Bill also makes changes to the Revenue Scotland and Tax Powers Act 2014.
17. Our scrutiny at Stage 1 included a call for views, which received ten responses, hearing from stakeholders, and undertaking a fact-finding visit to an aggregates recycling facility in Livingston. During that visit we discussed the impact of the rate of the proposed tax on the recycled aggregates industry, and on the cross-border movement of aggregates.
18. Our Stage 1 Report, published on 29 April 2024 set out the Committee's support for the general principles of the Aggregates Tax and Devolved Taxes Administration (Scotland) Bill. We however expressed reservations regarding the potential of the proposed tax to incentivise the switch to recycled secondary products and to reduce the use of natural products, a key ambition of the Bill, without either an increase in the tax rate above that currently charged or broadening the use and classification of recycled aggregates. We also highlighted a lack of relevant data needed in order to establish the tax elasticity and enable future governments to set an appropriate rate of tax.
19. The Parliament agreed to the general principles at Stage 1 on 16 May 2024. The Committee will continue its scrutiny at Stage 2, when we will consider amendments to the Bill as introduced.

**Photo 2: Committee Members visiting an aggregates recycling facility in Livingston.**



## Scrutiny of Financial Memorandums

20. Each Bill introduced in the Parliament must be accompanied by a Financial Memorandum (FM) setting out the estimated financial implications of the legislation. The Committee is responsible for scrutinising each FM and reporting our findings to the lead committee. FM scrutiny has become a significant area of the Committee's focus in recent years due to increasing concerns regarding quality and consistency.
21. During the reporting period, the Committee raised a number of wider concerns about the FMs presented to us for consideration. We highlighted the detrimental impact on our scrutiny of FMs when updated costs are not provided to the Committee during Stage 1, where those costs had changed since the Bill's introduction.
22. We also highlighted scrutiny limitations arising from the use of co-design to inform a Bill's provisions beyond Stage 1 of the legislative process. The Committee noted that co-design or engaging with stakeholders on policy proposals supports better outcomes and improves decision making. However, where co-design does not occur in advance of legislation being introduced, financial estimates are not available, making financial scrutiny incredibly challenging, if not impossible. To enable effective Committee scrutiny, co-design processes should take place before Stage 1, rather than following on from the legislative process.
23. Throughout the course of this reporting period, the Committee issued calls for views on 18 FMs in total. Our scrutiny is evidence-led; in some cases, such as with the Agriculture and Rural Communities (Scotland) Bill, we heard oral evidence and highlighted issues raised by stakeholders to the lead committee for further consideration. In others, we referred the written evidence received directly to the lead committee. The Committee also undertook in-depth scrutiny of three FMs

during this reporting period—

- National Care Service (Scotland) Bill,
- Circular Economy (Scotland) Bill, and
- Police (Ethics, Conduct and Scrutiny) (Scotland) Bill

## National Care Service (Scotland) Bill

24. The Committee has continued our [scrutiny of the FM for the National Care Service \(Scotland\) Bill](#) (NCS Bill) which began in the previous reporting period. The Scottish Government responded to our December 2022 Report on the FM a year later, in December 2023, providing updated cost estimates, alongside a note of the financial implications of the changes to the Bill that the Scottish Government proposes to bring forward at Stage 2, and a Programme Business Case for the NCS.
25. Following further scrutiny of the updated costs, the Committee wrote to the Minister for Health, Social Care and Sport in February 2024, setting out our ongoing concerns regarding the accuracy of the updated costs and the Scottish Government's approach of introducing framework bills and using co-design to develop the detail of the policy. This approach, we consider, significantly impacts our ability to scrutinise the overall costs and affordability of the Bill.
26. As a result of the Committee's scrutiny, we were able to secure more accurate and up to date cost estimates for the NCS Bill. If we had accepted the cost estimates in the original FM, this would have led to significant additional spend. We have requested that the Scottish Government provides regular updates to this Committee on associated costs for the Bill and the NCS programme, in a similar format to the FM. We intend to continue to monitor the costs of the NCS Bill as it passes through the Parliament.

## Circular Economy (Scotland) Bill

27. The Committee reported on our [scrutiny of the FM for the Circular Economy \(Scotland\) Bill](#) on 20 November 2023, raising concerns about a lack of certainty and potential underestimation of costs. We have asked the Scottish Government to provide regular, biannual updates to the Committee on expenditure incurred to date, changes in forecast costs and savings arising from the Bill and the subsequent Act (subject to the Bill being passed) and relevant secondary legislation, until all provisions are operational.
28. The Minister's response provides updated figures for some of the costings in the FM, where concerns had been raised by stakeholders during evidence. The Minister also committed to providing updates to both the FPA Committee and the lead committee on the progress of ongoing work with local authorities, businesses, and other stakeholders, as well as on forecasts of costs and savings, as regulations are being developed.

## Police (Ethics, Conduct and Scrutiny) (Scotland) Bill

29. In April 2024 the Committee [requested that updated costings be provided](#) ahead of the Stage 1 debate for the Police (Ethics, Conduct and Scrutiny) (Scotland) Bill in light of concerns about the accuracy of the initial cost estimates provided, the quality of Scottish Government engagement with relevant stakeholders, and the consistency of presentation of figures in the original FM.
30. Informed by our scrutiny of this Bill, [the Committee wrote to the Presiding Officer](#) setting out our ongoing concerns regarding the consistency and accuracy of FMs presented to the Committee for consideration, and the use of framework bills<sup>i</sup>. The Committee will continue to pursue these matters as part of our wider scrutiny of FMs during the remainder of this parliamentary session. This work also builds on our earlier post-legislative scrutiny of the FM for the 2013 Children and Young People (Scotland) Bill.

## Scottish Statutory Instruments

31. The Committee considered and reported on the following four Scottish Statutory Instruments (all laid under the affirmative procedure) during the reporting period—
  - the Land and Buildings Transaction Tax (Green Freeports Relief) (Scotland) Order 2023 [draft]
  - the Land and Buildings Transaction Tax (Miscellaneous Amendments) (Scotland) Order 2024 [draft]
  - The Budget (Scotland) Act 2023 Amendment Regulations 2023 [draft] – Autumn Budget Revision, and
  - The Budget (Scotland) Act 2023 Amendment Regulations 2024 [draft] – Spring Budget Revision.
32. The Committee has noted that Scottish Government in-year budget revisions have increasingly included more substantive changes as a consequence of significant financial pressures and the timing and nature of UK fiscal events.

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<sup>i</sup> Conflicting evidence was provided to the Committee on whether or not this is a framework bill. This was later clarified by the Scottish Government that it does not consider the Police (Ethics, Conduct and Scrutiny) (Scotland) Bill to be a framework bill.

# Inquiries

## Public administration - effective Scottish Government decision-making

33. The Committee's first inquiry into the public administration aspects of its remit focussed on [effective Scottish Government decision-making](#). Reporting its views on 3 July 2023, the inquiry sought to provide greater transparency and understanding of the current decision-making processes used by the Scottish Government and to identify the skills and key principles necessary to support an effective government decision-making process.
34. Our report made a number of recommendations regarding the transparency of information about civil service decision-making processes and governance; encouraging meaningful evaluation and engagement; learning lessons and accountability for improving standards. Responding, the Permanent Secretary committed to progressing work arising from the Committee's report recommendations.
35. In particular, the Scottish Government responded by publishing more information about civil service governance and has reviewed its scheme of delegations for Accountable Officers, in light of the Committee's report. Responding to our recommendations in relation to addressing longer term issues, the Permanent Secretary has committed to publishing longer term insights reports, in autumn 2024, to support planning and preparedness by public bodies and others.

## Scotland's Commissioner Landscape: A Strategic Approach

36. Following concerns raised during budget scrutiny (as noted above), the Committee, in January 2024, launched our [inquiry into Scotland's Commissioner Landscape: A Strategic Approach](#). This aims to foster greater understanding of how the Commissioner landscape in Scotland has evolved since devolution and establish whether a more strategic approach is required. We also want to better understand how the governance, accountability, budget-setting arrangements work in practice and whether any improvements can be made.
37. Alongside gathering formal written and oral evidence, the Committee has undertaken informal engagement with former Commissioners and with current and former MSPs who have experience in putting forward Members' Bills that propose the creation of new commissioners. We also commissioned research mapping the bodies that sit within the Commissioner landscape in Scotland and drawing on international and UK models, to inform the findings in our final report, which we expect to publish later this year.

## National Performance Framework: Inquiry into proposed National Outcomes

38. On 1 May 2024, the Scottish Government published its proposed National Outcomes which form part of the National Performance Framework and which it requires to review every five years. The Parliament must be consulted on these proposed National Outcomes, and though the FPA Committee is the lead committee for this scrutiny, their cross-cutting nature means they also fall within the remits of other Parliamentary Committees.
39. As such, a [cross-cutting approach to Parliamentary Scrutiny](#) has been agreed where a single call for views has been launched by the FPA Committee, with other committees able to consider evidence received that is relevant to their own specific remits.
40. It is anticipated that later in the year, following evidence consideration, the Parliament will debate the FPA Committee's report, along with any published views from other committees.

# Replacing EU Structural Funds in Scotland

41. The Committee has a longstanding interest in the [replacement of EU funding in Scotland](#), building on the work of its predecessor Committee in Session 5. During the reporting period, the Committee took evidence from the Rt. Hon Michael Gove, Secretary of State for Levelling Up, Housing and Communities and Minister for Intergovernmental Relations, following on from an earlier evidence session with the Committee that took place in February 2022.
42. During evidence, we explored progress with delivering rounds 1, 2 and 3 of the Levelling Up Fund; the UK Shared Prosperity Fund; Multiply and Community Renewal Fund. Some of the key issues explored included the impact of inflationary pressures on project and programme delivery, the identification of priority areas and approach to awarding funding; as well as the outcomes expected from the funding programmes.



## Annual scrutiny sessions

43. For the first time, the Committee held dedicated evidence sessions with the two bodies directly accountable to Parliament that sit within the Committee's remit – [Revenue Scotland](#) and the [SFC](#) - in December 2023. These evidence sessions were scheduled to take place after the bodies had laid their annual accounts in Parliament and aim to enhance scrutiny and transparency around how they fulfil their respective functions. In the first instance, we plan to hold these annually, as well as hearing from the bodies on an ad hoc basis in relation to other aspects of our scrutiny work.
44. As part of our public administration remit, the Committee also hears from the [Permanent Secretary to the Scottish Government](#) on an annual basis. During this reporting period, that session was held on 16 May 2023, focusing on the Committee's findings in relation to his ambitions for how the Scottish Government works, as well as scrutiny of the Scottish Government's consolidated accounts and progress made in responding to the three 2021 harassment reviews.

# Interparliamentary Finance Committee Forum

45. The Committee participated in the third meeting of the [Interparliamentary Finance Committee Forum](#) held at the House of Commons on 21 March 2024, alongside Members from the Senedd's Finance Committee and the Northern Ireland Assembly Finance Committee Clerk. The Forum met with Members of the Treasury Committee and Public Administration and Constitutional Affairs Committee, former Treasury Minister, Rt Hon. David Gauke, the Office for National Statistics, and the Institute for Government. Shared concerns regarding the impact of the timing of UK fiscal events and a lack of engagement by HM Treasury were discussed and the Forum awaits a response to its letter to the Chief Secretary to the Treasury seeking engagement on these matters.
46. The Forum is expected to meet again in Stormont in early 2025.

**Photo 3: Members of the FPA Committee and the Senedd's Finance Committee with former Treasury Minister, Rt Hon. David Gauke in London.**



## Equal opportunities

47. Issues relating to equal opportunities continue to be a key feature of Committee's work, including our annual budget scrutiny. Our Guidance for Committees on the Budget Process includes a section that aims to embed equalities in subject committees' budget scrutiny. The Committee further held a session at our Business Planning Day in August 2023 which explored how the Committee could further develop our approach to gender-sensitive questioning, in line with the Presiding Officer's gender sensitive audit work.
48. An example of specific actions includes a request in our Pre-Budget 2024-25 Report that the Scottish Government explicitly set out in the 2024-25 Scottish Budget any areas of spending it had assessed as not meeting its three Missions test and to explain where funding will, as a result, be reduced or ceased entirely.
49. We then sought to establish how the Scottish Government had ensured that the Scottish Government's tax and spending plans, as set out on the Budget 2024-25, align with its three Missions. As noted above, our report questioned whether a rounded strategic approach had been taken to assess and prioritise those areas of spend that will make most impact in delivering the three Missions. As such, the report requested that, in future years, a more detailed explanation of the Scottish Government's assessment of spend against its overall priorities be provided, along with the trade-offs it has had to make. The Committee will assess the extent to which this level of information is provided in the next Budget document.

