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18 November 2022

Dear Conveners,

CONCLUSION OF THE JOINT REVIEW OF BUDGET AS IT RELATES TO CLIMATE CHANGE

Following our letter to the Committees on 20 August 2021, and the work since then by our respective officials on the Joint Budget Review Working group, we are writing to propose recommended actions that would conclude the work of the Joint Budget Review.

As you will be aware, during Stage 2 of the Climate Change (Emissions Reduction Targets) (Scotland) Bill, the Government committed to working with the Parliament and stakeholders to review current processes and outputs around budget information as it relates to climate change. The Joint Budget Review aims to propose feasible and proportionate steps to deliver meaningful improvements to processes and transparency with respect to the consideration of climate change in the Scottish Budget.

As part of the review, the Fraser of Allander Institute (FAI) was commissioned by the Scottish Government to carry out research to support the aims of the JBR process. FAI concluded their research in June 2022. The findings of this research have been considered by the JBR Working Group, and have informed the conclusions of the JBR process and the recommendations contained in the attached JBR final report.

The final report proposes three strands of work to deliver meaningful improvement to processes and transparency with respect to consideration of climate change in the Scottish Budget;

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1. Starting in the upcoming 2023-24 budget cycle, a dedicated climate narrative section in the budget documentation to outline the relative impact of spend within the budget that supports progress towards statutory climate change commitments;
2. Starting in the 2024-25 budget cycle, an enhanced taxonomy approach to identify and categorise all spending lines across the Scottish Budget with regards to their climate impact;
3. And the development of a Scottish Government wide Net Zero Assessment to establish a dedicated carbon assessment process during early policy development stages that will provide increased depth and detail on the climate impact of individual policies and their associated budget allocations.

We remain committed to delivering meaningful improvements to processes and transparency with respect to the consideration of climate change in the Scottish Budget, and ensuring we have quality research evidence to support this. The proposals for reform, as identified through the conclusion of this JBR process, place Scotland at the forefront of international best practice for budget scrutiny with regards to climate change.

Assuming you are content with this approach, we would suggest publication of the JBR Report at the same time as publication of the Fraser of Allander research. We would see this as the conclusion of the formal Joint Budget Review, and proposal disbanding the JBR Working Group, but with commitments for ongoing engagement with officials and reporting to the Committees as the measures are implemented as set out in the attached report.

Yours sincerely,

JOHN SWINNEY

MICHAEL MATHESON

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