



OFFICIAL REPORT
AITHISG OIFIGEIL

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Finance and Public Administration Committee

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**FINANCE AND PUBLIC ADMINISTRATION COMMITTEE
13th Meeting 2025, Session 6**

CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

DEPUTY CONVENER

*Michael Marra (North East Scotland) (Lab)

COMMITTEE MEMBERS

*Ross Greer (West Scotland) (Green)

*Craig Hoy (South Scotland) (Con)

*John Mason (Glasgow Shettleston) (Ind)

*Liz Smith (Mid Scotland and Fife) (Con)

*Michelle Thomson (Falkirk East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Professor David Bell (University of Stirling)

Laura Gardiner (Office for Budget Responsibility)

Tom Josephs (Office for Budget Responsibility)

Professor Mairi Spowage (Fraser of Allander Institute)

CLERK TO THE COMMITTEE

Joanne McNaughton

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Finance and Public Administration Committee

Tuesday 22 April 2025

[The Convener opened the meeting at 09:30]

Scottish Budget Process in Practice

The Convener (Kenneth Gibson): Good morning, and welcome to the 13th meeting in 2025 of the Finance and Public Administration Committee.

We continue our inquiry into the Scottish budget process in practice. Today, we will take evidence from two panels of witnesses.

First, I warmly welcome to the meeting, from the Office for Budget Responsibility, Tom Josephs, who is a member of the budget responsibility committee, and Laura Gardiner, who is the acting chief of staff. We have your written submissions, so we will move straight to questions from the committee. I will start by asking about transparency.

You have said that you have

“taken several steps that aim to specifically improve transparency around our role in the Scottish Government Budget process.”

You touch on some of those steps in your paper, but could you elaborate on those for the record, please?

Laura Gardiner (Office for Budget Responsibility): We would be very happy to do so. Thank you for having us. It is lovely to be here.

As we set out in our paper, our trajectory on this is probably similar to that which we have taken in our United Kingdom-wide role over 15 years, but over a slightly shorter period. Over time, since we started producing devolved tax and spending forecasts and playing the specific role that we do in the Scottish budget process, we have taken various steps to make what we do as transparent as possible, as clear to our audiences as possible, and as helpful to the Scottish Parliament and other stakeholders as possible.

The first specific step that we highlight is the comparison with the Scottish Fiscal Commission forecast. The main role of our forecast is its use in the block grant adjustment calculation. The Scottish Fiscal Commission forecasts tax revenue. The different assumptions that we make, and the different timing of our forecasts, can have material

impacts on the Scottish budget position. In response to that, about four years ago, we agreed with the SFC that we would add a set of tables to our twice-yearly “Devolved Tax and Spending Forecast” publication that would particularly set out the different assumptions that we make about things such as earnings growth and employment growth and how those drive our different outlook for Scottish income tax. We have continued to work with the SFC to make clear those differences, as well the differences in the timing of when we produce our forecasts, in terms of the impacts that they have.

The second area that we highlight is that we now publish more information on the block grant adjustment and net tax position. We introduced a new chapter on that to our publication; we have brought it up front and added to it more recently. It brings together the forecasts used in the BGA calculations. We do not do those calculations, but we want to be as transparent as possible about how our forecasts are used in them. Most recently, we added some illustrative information on the net tax position to that chapter. We did that in our March publication, last month. That is important because, as you know, it is the most relevant measure of the budgetary impact of devolved taxes.

I will very quickly note the other two things that we have done. Increasingly, we are looking at how our forecasts have done. Our March “Devolved Tax and Spending Forecast” publications will typically include an assessment of the performance of our Scottish forecasts. Those have generally shown that the forecasts have improved over time, as more data and information have become available and also as we have improved the methodology, such as we did for devolved income tax forecasting, whereby we increasingly use His Majesty’s Revenue and Customs real-time information data.

Finally, outside our publications, we use our website in order to be as transparent as possible. We publish the full range of relevant information and frameworks, such as our memorandum of understanding with the SFC. We are in the process—over the next couple of weeks—of expanding the devolved section of our website to include a detailed explanation of devolved funding. We might come back to that later in the evidence session, but it will also include some assessment of risks and sustainability around our devolved forecasts.

That is the story today. I am sure that it will not be the end of the story, because, as with our wider UK role, those things tend to continue to improve, and we continually try to increase transparency on the basis of user needs. That is what we have

done so far in trying to bring transparency to our role in the process.

The Convener: Thank you very much. I note that, on your website, you also have a transcript of your dealings with this committee, so members had better behave.

Laura Gardiner: Sorry—I did not mention it, but that is obviously the most important bit. *[Laughter.]*

The Convener: You talked about timing. Obviously, that is a critical issue, and there is only so much that you can do about the gap between your forecasts and those of the Scottish Fiscal Commission. Can anything be done to tweak the timing in order to reduce those gaps?

Laura Gardiner: As we set out in our submission, it is not for us to say what the overall structure of the process should be. We produce our forecasts alongside the UK Government's budgets and spring statements, and the UK Chancellor of the Exchequer determines the timing of those. There is not a great deal that we can say on that question, but I will note that it is hard to think of an ideal sequence. For example, doing our forecasts simultaneously with the SFC's forecasts would carry a raft of challenges, which the current sequencing gets around by building one forecast on the back of the other.

As I said, timing is not in our gift, and I do not have specific comments to make on it, other than that I find it hard to see an optimal process. Something that solves one set of timing challenges would probably create others.

The Convener: It is difficult for both the OBR and the SFC, but we need to look at whether it is possible to reduce the gaps.

In your submission, you said:

"Differences in modelling approaches, data used, and judgements applied can all contribute to differences between our and the SFC's forecasts."

How can those differences in modelling and data use be reduced?

Laura Gardiner: I will kick off, and then Tom Josephs might wish to come in. We work very closely with the SFC and will continue to do so. Our memorandum of understanding sets out that we will seek to explain, both to each other and to the public, why our forecasts differ. We certainly spend a lot of time sharing models, looking at each other's models and understanding each other's judgments.

We are two separate organisations with two separate sets of committees or commissioners, and we are required to make independent judgments. We do that in slightly different ways. For example, our Scottish income tax forecast is based on our UK-wide assumptions for earnings

and employment growth. We can go into more detail about how that methodology works. Fundamentally, the two organisations are asked to make their best independent judgments about what will happen to earnings growth and employment growth. Even when they are looking at the same data, reasonable people will differ on those things.

We have tried to focus on coming to the best judgments that we can, evaluating how accurate they are and explaining as clearly as possible where our judgments differ from those that the SFC makes. Given the current institutional structure, I find it hard to see how you might force us to be closer together when we genuinely disagree.

Tom, do you want to say more?

Tom Josephs (Office for Budget Responsibility): I will add a couple of things. As Laura said at the start, thanks very much for the invitation. It is a pleasure to be here.

First, I will underline that, as Laura said, we work very closely with the SFC when we are producing the forecasts. For example, when we discuss the forecasts with the relevant officials from HMRC and the Scottish Government, Scottish Fiscal Commission colleagues also take part in those meetings. In some cases, they have been working on the forecasts as well. We work closely with them, and there is pretty much full transparency between the two organisations with regard to the analysis and evidence that we use to produce the forecasts. However, as Laura said, when it comes to the final judgments, the two separate institutions make those judgments independently. That is right and it reflects the institutional structure, but it can lead to differences in forecasts.

The second thing that is important is that both we and the Scottish Fiscal Commission put a lot of work into evaluating our forecasts for accuracy—we look back and analyse why outturn has differed from forecast and then make adjustments and learn lessons from those differences. That should mean, I hope, that if there are any divergences, they will not be sustained or increase over time, as both institutions are learning the lessons from previous differences.

The Convener: You talked about institutional structure. Is there any way in which that can be improved?

Tom Josephs: It is not really for us to comment on the institutional structure.

The Convener: I was hoping that you would. *[Laughter.]*

Tom Josephs: In particular, the role of the OBR is set in legislation by the UK Parliament. We try to

work within the institutional structure and the fiscal framework that has been agreed between Scotland and the UK and, within that framework, as Laura Gardiner said, we try to operationalise the process in the most efficient and transparent way to allow it to work as effectively as possible.

The Convener: You have pointed out that you are, of course, not responsible for the formal calculation of the block grant adjustments, which are produced by the UK Treasury. Let me phrase it in this way: would it be helpful if the OBR actually did that?

Tom Josephs: Again, that is a formal part of the process, which is the responsibility of the Treasury. That, if you like, reflects that the OBR does not have any role in the policy making or budget setting processes, which are things that the Treasury does—rightly, I think.

As Laura has said, we have tried to be more transparent about the way in which our calculation is made. It is definitely not a very transparent or easy-to-follow methodology—it is quite complicated. When I started in this role, I found it difficult to follow the various steps that are undertaken to produce the calculation, which is why we have taken the steps that we have to try to bring more transparency to the process—to show precisely the set of forecasts that we produce that go into that calculation and to produce our own illustrative forecast of block grant adjustment and the net tax position. I think that we have gone pretty much as far as we can to bring more transparency to the process.

The Convener: Okay. Thanks. Since 2022, you have introduced forecast evaluation analysis for your Scottish forecasts. How has that improved accuracy on your forecasts?

Laura Gardiner: I am happy to take that question. That builds on the process that we have been running for a while of evaluating the performance of our UK-wide economic and fiscal forecasts in our annual forecast evaluation report. The method that we tend to use for that, which is helpful, is to take the difference between forecast and outturn for a particular tax or spending stream, for example, and to use ready reckoners and models to divide it up into the bit that is due to our economic assumptions, the bit that might be due to any classification changes that the Office for National Statistics sometimes makes, the bit that is due to Government policy announcements and the rest, which we sometimes call fiscal forecasting error.

We have applied the same framework in our devolved forecasts, which I think has been really helpful, as it allows us to quantitatively divide up where we got it wrong. A large chunk will always come from economic assumptions, as has been

the case with our devolved forecasts. Given the recent period, in which we have had lots of shocks—Covid, the energy crisis and so on—the earnings and employment growth assumptions that we made back in 2019 were perhaps not the most accurate.

09:45

Knowing which bits are due to Government policy changes is really important, too, because we have to condition our forecasts on stated policy. As a result, if the Government changes its mind, you can say, “Well, we had to assume that it was going to do what it said that it was going to do at the time, so that’s not on us.” However, it is the bit that falls into the remaining category—the fiscal forecasting error—that we have to think quite hard about, because that is what suggests that our models, into which we put our economic assumptions and forecasts on stated policy, might not be working right.

Bits of each of those issues have arisen in our evaluation of devolved forecasting and, as I said, we have found that forecasts tend to improve over time. However, as our submission points out, some of the things that we have done to improve our forecasting methodology in recent years have been in response to finding some of those fiscal forecasting errors, as we call them. In particular, we now use a more disaggregated measure of the population, splitting those who are over and under the state pension age when calculating the Scottish share in income tax forecasting, and we have made much better use of HMRC’s real-time information data. Those things seem to have improved the accuracy of our forecasts.

Finally, I want to highlight that that is not all that we do—sometimes we delve deeper. In 2023, we brought out a large publication that looked at Scottish and Welsh devolved income tax forecasting since about 2010 and tried to understand the trends that had driven the widening gap in the amount of income tax paid per person by comparing the UK to Scotland, and then to Wales. That was a really detailed look at the issue, and it helped us. We used it to ask, very critically, whether there was anything that we could have done over those 10 years to see that gap coming and whether we could have improved our methodology to predict it better. We did not find any showstoppers, but the report underscored the improvements that we had made with the population indices and with the help of the RTI data. In the case of Scotland, we pulled out a couple of things, such as changes in the sectoral composition of the economy and the relative movements in the employment-to-population ratio, that seemed to have played quite big roles and that we want to keep an eye on.

That quite long answer was just to say that we have taken quite a granular approach to forecast evaluation since 2010. We have tried to apply that approach transparently and whole-heartedly to our devolved forecasting, and it has led to some methodology improvements.

The Convener: Obviously, there is a lag in the Scottish outturn data. Given that these improvements were brought in in 2022, we will probably see more progress in that respect as the years pass, but how does that lag compare with what we see in the rest of the UK?

Laura Gardiner: It is quite substantial. I might need Tom Josephs to help me here, but I think that the lag is about 18 months or so. We have just had the 2022-23 outturn for devolved forecasts, have we not?

Tom Josephs: That is right. When it comes to the actual final outturn for the relevant tax base for the income tax forecast, there is a long lag. However, we also make a lot of use of more recent and very closely related data that HMRC produces—both the real-time information data that Laura Gardiner mentioned, which is available very soon after tax is paid, and the outturn data on employment income, which is the main bulk of the income tax forecast and which, too, is very timely. Therefore, although there is a long lag with regard to, if you like, the final and definitive outturn data, we also use a lot more timely information.

The Convener: How can that lag be reduced? After all, 18 months is a long time in the business that you are in.

Tom Josephs: Well, it reflects the nature of the tax base that we are talking about. You have a lag across the whole of the UK, because some tax is paid with quite a long lag.

The Convener: You have talked about undertaking

“deeper analytical assessments of drivers of our devolved tax forecasts”.

Will you touch on a couple of those?

Laura Gardiner: The main assessment is the one that I mentioned in my previous answer, which is the historical look at developments in devolved income tax. I said a bit about what that showed us. I am trying to cast my mind back. The other deep dive that we did specifically focused on our work in Wales to forecast the Welsh rates. On what we do next, we would be open to thoughts on what would be helpful to you and others.

Devolved income tax is the largest tax stream, so we spent quite a bit of time on that. As I said, that assessment has been pretty fundamental to reassuring us of the methodological improvements

that we have made to forecasting devolved income tax.

The issue that we were just talking about in relation to the previous question—the lag in full outturn data—is what those methodological improvements are focused on. Half the challenge of forecasting devolved income tax is forecasting up to the present, basically. That is what the use of the RTI data in particular and some of the other more current data has done. That is the kind of area where we have put in most of our effort in doing deeper dives in recent years.

We are certainly very open minded on whether there are, for example, other tax streams for which we could add similarly useful analysis in order to take a critical look at our methodologies and our accuracy.

The Convener: You have said:

“The OBR does not have any role in forecasting or scrutinising public spending decisions taken by the Scottish Government as part of the Scottish Budget process. However, it is an important part of the role we play in the UK Budget process and is area where we have significantly enhanced our approach over the past year.”

What impact, if any, has that had on UK budgetary decisions relating to Scotland?

Tom Josephs: I can talk about that. It might be worth stepping back a bit to explain the way in which we have historically looked at departmental spending in the UK, which has been different from the way that we have done the rest of our UK forecasts. For the rest of the UK forecasts, the process is broadly one where the OBR produces a forecast for the economy. We give that forecast to modellers on the tax side in HMRC and on the welfare side in particular in the Department for Work and Pensions. They run the forecast through individual models and give us their forecasts for tax and welfare. We then construct the public finances forecast from the bottom up, if you like, using all those disaggregated tax and welfare forecasts.

The departmental spending forecasts have been different in that we have essentially taken the overall totals that the Treasury has given us. The Treasury has spending reviews that set overall departmental spending, and we have pretty much taken that overall envelope as given by the Treasury and used that as the forecast. That is a large chunk of public spending—it is around 40 per cent. That has traditionally been done on a top-down basis rather than a bottom-up basis, which is the approach that we have taken for the rest of the forecast.

Historically, from a forecast perspective, that had worked reasonably well, because the Treasury has typically managed public spending to meet its overall envelopes reasonably well. The

approach ran into problems last year when the spending total that was set in the March 2024 budget was subsequently increased very significantly after the election in July and in the October budget.

That led us to review the process by which we put together those forecasts, and it essentially led us to decide, with the Treasury, to take an approach that is much more similar to the way in which we do the other forecasts. In that approach, we get the totals from the Treasury but we apply much more scrutiny to them. We then decide whether to take them as they are or whether to adjust them on the basis of evidence that suggests either that departments will underspend against those totals or that there is a possibility of overspend.

As part of that, the Treasury has agreed to give us a lot more information on departmental spending to allow us to do that additional scrutiny. Rather than our just looking at the aggregate total spending level, therefore, we are now given a lot more detail by the Treasury on budgets department by department, and the pressures on those budgets. The Treasury holds a reserve that it uses to fund in-year unexpected pressures; it now gives us much more information on the state of that reserve and on the pressures and risks that it sees against the reserve. It also gives us a lot more detail on policy decisions that are going to be made at budgets and fiscal events that will affect departmental spending and on how those will be funded. In addition, it gives us information on the composition of spending, particularly pay and workforce costs, within DEL.

That has now enabled us to be a lot more transparent about the risks and uncertainties around the departmental spending totals that the Treasury is setting UK wide, and it puts us in a better position, potentially, to take a view on the question whether departments will overspend or underspend against those totals.

That is not about looking directly at Scottish spending decisions, but it means that we are able to be more transparent on the risks and pressures around UK-wide spending, and that has implications in terms of the funding that may, in the future, be available to the Scottish Government.

The Convener: Thank you. I am pleased that you have touched on the OBR's review and that the Treasury has accepted the 10 recommendations. I was going to ask you about that, but you have covered a lot of what I was going to ask, so I will ask one final question before I open up the session to colleagues.

In your submission, you state:

"The OBR's remit includes the responsibility to evaluate the long-term sustainability of the UK public finances and assess fiscal risks."

The SFC has published a fiscal sustainability report, which the committee will be interrogating—or at least questioning—and taking evidence on next Tuesday. What kind of work have you been doing with the SFC in relation to its report and your own work?

Tom Josephs: We work with the SFC on sustainability in the sense that, as part of the memorandum of understanding between the two organisations, we have agreed to collaborate and share modelling expertise on the long term in particular. The OBR has a specific model that we use to produce long-term projections and look at fiscal risks and pressures over the long term. We share that model with the SFC and our analysts regularly discuss and share evidence on that long-term work.

Obviously the SFC has produced its report independently, and the OBR was not involved in the actual production of that. However, we try to collaborate with the SFC on the technical foundations for that sort of analysis.

Laura Gardiner: The report that the SFC published most recently was focused on health. That has been quite a good opportunity for collaboration, because we did our own assessment of the sustainability of health spending, which we published last September and which was based on the exact model that Tom Josephs described. At a working level, we were able to share our modelling on health. After we published our work last September, we spoke to staff at the SFC about the assumptions that we had used and how we had constructed our scenarios.

We were invited to look at drafts of some of the chapters of the SFC's report and provide comments on the basis of the expertise that we had developed during the modelling that we did last year. As Tom Josephs said, we are producing independent reports and we will have different topics that we want to focus on and different views of what the challenges around sustainability are. However, the fact that, within six or nine months of each other, we have both done a deep dive on the sustainability issues around health and health spending means that this has been a particularly fruitful period of collaboration and sharing methodologies and models to build on each other's work in the area of health in particular.

10:00

The Convener: Thank you for that. The first colleague to ask questions will be Liz Smith, followed by John Mason.

Liz Smith (Mid Scotland and Fife) (Con):

Thank you for your evidence so far. I want to ask about a specific issue. Although you are obviously not responsible for policy making, you have to respond to it. In recent times, at the UK and Scottish levels, we have seen some very late adjustments. At the time of the spring budget statement in the UK, the OBR stated that the welfare reforms would not deliver as much money as the Government had previously estimated, and so last-minute adjustments had to be made.

In Scotland, the Scottish Government was very late in announcing its mitigation of the two-child cap, and it did not provide enough information in time for the SFC to build that into a forecast. To what extent do such adjustments present a problem with forecasting? I know that you cannot set the policy in any sense, but does it create considerable difficulties when Governments make changes to their policy proposals that are a bit late for forecasting?

Tom Josephs: We are very transparent about the process that is involved in producing the forecast and doing policy costings. We set it out in the foreword to our document each time. At the most recent event, the process ran very smoothly and to the timetable that was agreed between us and the Treasury. In the case of the UK budget or a fiscal event, the timetable typically runs for a period of around 10 weeks, the first part of which is broadly when the OBR produces what we call the pre-measures forecast, which is the forecast that we make before we take account of any new policy that the Government announces at the fiscal event.

The second half or maybe the final third of the process is roughly when we incorporate the new policies that the Government announces at the fiscal event into the forecast.

Liz Smith: I am sorry to interrupt you, but if those changes come very late in the day, as they did in the reserved and the devolved institutions this time, does that create difficulty with forecasting accurately what you are predicting over the next budget year or subsequent years?

Tom Josephs: As you said, this time, we had a particular issue with the welfare reform measures that the Government announced. We set out in the document that we were notified of and given evidence on a number of those policies to allow us to make an assessment of the fiscal and economic implications later in the process than is usual. In some cases, we were also given much less evidence and analysis than would usually be the case. That meant that, when it came to incorporating those impacts into the forecast, we were not able to do as thorough a job as we would usually do, so we have highlighted the fact that those costings—the fiscal impact of those

policies—are much less certain than usual. In some cases we have called it a provisional costing.

It is also the case that, in the time that was available, we were not able to make an assessment of the potential impact of those policies on the labour market and we have said that we will come back and do that ahead of the next event, which will probably be in the autumn.

To answer your question, that situation has meant that the forecast on welfare spending and employment is more uncertain than usual. It is always very uncertain, because it is a forecast, but that situation just added another layer of uncertainty.

Liz Smith: Do you think that the UK Government appreciates that problem?

Tom Josephs: As I say, we and the Treasury have tried to agree a timetable that avoids that kind of issue and allows us to make a full assessment of policy. Obviously, the Treasury is typically very keen that we do that and, in most cases, the timetables are adhered to, as we have said. Actually, this time, for all other parts of the process, the timetable was adhered to—it was just the welfare reform package that was delayed.

Liz Smith: I make the point because, to go back to the convener's question about transparency, the situation becomes increasingly difficult if things are done at the last minute. As you said, if that happens, it is difficult to expand on the implications that a policy change might have for the labour market, inflation or whatever. Therefore, we run the risk of having less accurate forecasting, which concerns us. That is on top of the fact that the SFC and the OBR produce forecasts at different times—the convener mentioned that lag—which compounds the issue.

We have been taking evidence on the Organisation for Economic Co-operation and Development's review of how effectively the Scottish Fiscal Commission operates. The SFC was generally given a very clean bill of health. However, an interesting issue was raised about the SFC's groundbreaking approach of giving a very long-term projection for the Scottish economy—it goes all the way up to the year 2070. On one level, that is very helpful, but there is the argument, which was part of some discussion and debate just last weekend, that those very long-term projections slightly take the focus away from short-term policy making to address serious issues in the economy.

I know that you cannot comment on the policy, but are you concerned that, if we go too far into the future, we will have issues with short-term policy making?

Tom Josephs: It is about striking the right balance. Like the SFC, we produce a long-term fiscal sustainability report, but that is part of a suite of reports that cover the short, medium and long term. Each of those reports plays an important role in what we are basically here to do, which is to provide better evidence, analysis and information for policy making. When we produce long-term projections of the pressures on the public finances that are coming down the line, whether from demographics, climate change or other areas, we try—as, I think, the SFC does—to make sure that those pressures are well understood, because policy makers need to consider those issues now, while they are making decisions. We try to relate the long-term analysis to the immediate pressures on the public finances. We incorporate the analysis of pressures and risks in our long-term report, as well as in the work that we do on the medium term.

Liz Smith: Is it your view that we are getting better at forecasting over the short, medium and longer terms?

Tom Josephs: I certainly think that, collectively, over the past 20 years or so, the economic and fiscal forecasting and analysis community of institutions has developed the approaches and methodologies that are used to do this. There is a lot more focus than there used to be on analysis of risk and uncertainty over all time horizons.

In our reports on the medium term, for example, we spend a lot of time explaining the risks and uncertainties around the central forecast. We use scenarios, sensitivity analysis and analysis of past forecast errors to illustrate the range of possible outcomes. A lot of that methodology has been developed over the recent past.

In addition, as you said, we are putting more emphasis on long-term analysis and looking at a broader range of risks. For example, we did not look at climate change until, I think, about five years ago.

Laura Gardiner: It was four years ago.

Tom Josephs: Since then, we have developed that and have looked at the potential fiscal risk from climate change from a number of perspectives. Traditionally, long-term analysis has been focused on demographics and the ageing population. However, we are trying to bring more and more areas into that.

John Mason (Glasgow Shettleston) (Ind): I will continue on that theme and play devil's advocate. As Liz Smith has pointed out, things can happen in the very short term, whether that be changes to employer national insurance contributions, welfare or American tariffs—or all of those things. Given that, is there any point in

making five-year forecasts, let alone 50-year forecasts?

Tom Josephs: It is very important to make medium-term forecasts. Governments clearly need to plan over a medium-term horizon. Departments need to be able to—

John Mason: They need to or they should?

Tom Josephs: They should—they need to. Departments need to be able to plan their spending. Markets need a rough idea of how much Government borrowing might take place in the medium term, and businesses and households need information on the likely outlook for taxation. In that context, it is important to do that policy planning on the basis of a central view of where the economy and the public finances are likely to head over those five years.

Obviously, there is a huge amount of uncertainty around those projections. A really important part of our job is to produce a central forecast, with the risks roughly balanced either side of that, because that is the best basis on which the Government and policy makers can plan. It is really important for us to set out the risks and uncertainties around that, so that policy makers can take decisions on the basis of as good a set of information on potential outcomes as we can provide.

You mentioned tariffs. In our latest set of forecasts, we presented a set of scenarios for the potential impact on the UK economy and public finances of different US global tariff policy scenarios. We hope that that will provide more transparency to policy makers on the potential impact of tariffs in the future.

John Mason: You mentioned making a central forecast and that you are also trying to point out the risks and the variations that there could be. With tariffs, we really do not know what will happen. Things might get worse or they might get better. Also, there might be a trade deal. Do you think that that is well understood? Presumably, experts who read your reports get that, but does the wider population understand that, when you are making a forecast, that forecast is in the middle of a range of possibilities?

Tom Josephs: I will say a bit and then Laura Gardiner might want to add something on our communication more generally.

That is definitely a challenge. Quite understandably, a lot of the media and the public tend to focus simply on the central forecast, despite the fact that we put a lot of effort into explaining the risks and uncertainties. There is a lot of focus on what our forecast is for gross domestic product and for borrowing next year as a central point forecast. As I said, we put a lot of effort into explaining the risks around it, and we

are trying to do more of that. We rely quite heavily on the media, external think tanks and research bodies picking that up and helping us to disseminate the analysis, but it is certainly an on-going challenge.

Laura Gardiner: It is definitely a challenge. All economic and fiscal forecasters are criticised for being wrong—we get plenty of that, as I am sure that other forecasters do. It is very easy to be wrong when, by legislation, we are required to make point forecasts—often to several decimal places.

10:15

Tom has covered the main ground, but the question is how we communicate that information. Across the UK, one of our main jobs is to assess the Government's performance against its fiscal targets, which relies on comparing a point forecast to a defined line that has a margin or headroom of a certain amount that has been chosen by the Government. It is built into our institutional architecture that we have to be precise and say precisely whether a rule is being met. Increasingly, we are trying to encourage people not to focus on specific numbers, but on headroom. That is an important part of the policy-making process, however, and it would be wrong of us and a dereliction of our duty to pretend that we do not have to be precise and to try to walk away from that. It is all about balance.

In our most recent UK-wide forecast, we put the most effort that I have ever seen into communicating the risks and uncertainties. We prepared the tariff scenarios, and it was a huge undertaking to get to grips with trade models in short order. We also prepared fully-fledged scenarios around the path for productivity, which is our most important and most uncertain judgment, as well as scenarios and sensitivities around the path of interest rates, which have been volatile globally and in the UK.

When I think about our chair appearing on the news on the night of the budget, as well as on the "Today" programme the next morning and other events that he is involved in, the content of his presentations has shifted increasingly towards those uncertainties. I think that we are putting a pretty decent effort into communicating about uncertainties, and many institutions are grappling with that. For example, Ben Bernanke has just led the Bank of England through a big review of how it communicates uncertainty and the recommendations have led to a diversity of opinion. Recently, we had a two hour round-table meeting about whether fan charts were a good or a bad thing. The economic and forecasting community, including the best international minds, is thinking really hard and very seriously about

how we can communicate as well as we can while delivering our duty, which is to produce precise numbers that fulfil a range of functions. We will continue to do that.

I will stop in a second, but the OECD was mentioned. Our third official external review has just been completed, and it praised some of our work on uncertainty but pushed us to think even harder about how we can communicate that and not over-encourage an obsessive focus on headroom, so to speak, in our work. We think that we are trying quite hard, but we will have to try harder on the basis of that review. If there are any different and creative ways to visualise data or to use analogies or words to communicate those things, we would love to learn from others. That is a work in progress for us, but, as I said, the external review has encouraged us to do even more on uncertainty than we did in our most recent publication, which is the most that we have ever done.

John Mason: Both of you gave helpful answers. You deal with different audiences—you have specialised people who know everything from back to front and you have the public, while MSPs and MPs are probably somewhere in the middle. The SFC has also been grappling with that and is trying to communicate more with the wider public.

The convener asked you about the word "transparency". In one sense, the more data you produce, the more transparent the position might become for the experts, but is there a danger that that would make it less transparent and more complex for the ordinary person on the street?

Laura Gardiner: That is a good question. On balance, that has not been the OBR's experience over the past 15 years. Transparency has been a guiding principle of the OBR since its foundation in 2010, which is long before my time, and it comes across in a range of ways—for example, through the emphasis that we put on forecast evaluation, which we have already talked about, and how we respond to requests for information. In that respect, we always try to be as helpful as possible by publishing information that has been asked of us. We do not just send it to the individual; we put a supplementary release on our website. I also point to the growth of working papers and articles and, more recently, the creative use of videos and other things to explain what we do.

There is a risk of confusion—or, perhaps, overload, which might put off the non-expert, if you like. However, my experience has tended to be that such an approach has given think tanks, academic research organisations, international organisations and the media more of an opportunity to understand what we do and then present it in their own way, which in turn enhances our communication.

This might seem like a trivial example, but when we publish the economic and fiscal outlook twice a year, we put hundreds of spreadsheets on our website at the same time, with all sorts of additional tables and the data behind all the charts and so on. That has grown over time, and it means that, when I turn on the 10 o'clock news on the night of the budget, I can see that the charts have helped and have the right numbers, and nobody has had to grapple with our press office for three hours trying to get hold of the data. It is just there, and everybody knows where to find it.

As I said, that might be a trivial example, but the OBR's experience has been that, although there can be pitfalls, transparency has led to a better debate, not more misinformation. We are continuing to drive further in that direction.

John Mason: That was also helpful. Thanks.

Finally, you have said that you might be—in fact, you are—looking more at spending and going into more detail on that. That has been an issue for the SFC, too. Do you think that it should be? Does it make sense for the commission to do the same in Scotland?

Tom Josephs: I know that the SFC has a set of plans to do more in that direction, and it is definitely for the commission to determine where it best focuses its resources. However, from the UK perspective, as I said in an earlier answer, we have certainly found that increasing the scrutiny of departmental spending in the way that I described, and being able to publish a more transparent assessment of risks and uncertainties with regard to the Treasury's departmental spending plans, have led to a big improvement in forecast accuracy—or we hope so; time will tell—and certainly to an improvement in transparency in respect of the pressures on departmental spending, as well as the risks.

John Mason: Has the OBR had extra resources for that? It sounds like extra work.

Tom Josephs: Yes—we have had a small amount of extra resource.

Laura Gardiner: As Tom Josephs said, we have had a small amount of extra resource this year—I think that it is equivalent to 8 to 10 per cent of our budget. At the moment, we have about 50 people, and we might go up to something like 54 to cover a bit of extra work on departmental spending as well as extra work to forecast public sector net financial liabilities on the balance sheet, given that the UK Government has made that its measure of debt for its fiscal rules.

The two areas that cropped up last summer were departmental spending, in the light of the evidence on spending pressures and what it meant for our March 2024 forecast, and what

everybody wants to call persnuffle—public sector net financial liabilities, which relate to the Government's new fiscal rule. We need to do more work on that now, because it is much more in the limelight.

We have had a small increase in resource to deal with two areas on which there is much more work to be done, but we remain a small institution of 50 or so staff, and only a few people will be working on those things.

John Mason: That is great. Thanks very much for your help.

The Convener: Thank you, John. Incidentally, I want to ask a question before I go to colleagues: when did pie charts become fan charts? They were always pie charts when I was at school. *[Laughter.]*

Tom Josephs: Pie charts are still around, but we do not use many pie charts, do we?

Laura Gardiner: No—pie charts are bad, Tom.

Tom Josephs: The OBR used fan charts right from the start—in 2010, when we were set up—as a way of illustrating potential risk around our forecast.

The Convener: Leaders in fashion.

Craig Hoy (South Scotland) (Con): I have a slightly more generic question, which relates to forecasting. What role is artificial intelligence likely to have in assisting you in the accuracy or the development of forecasting? Are you debating that in the organisation?

Tom Josephs: We are. That is an interesting question. Our staff are actively using new technology and AI to develop the way in which we do our work. At the moment, it is not about informing the judgments that underpin the forecast but about gathering evidence and data more efficiently and bringing that all together in a way that provides an evidence base for us to produce the forecasts. Do you want to add anything, Laura?

Laura Gardiner: I think that that is right. We are keen to experiment with how we can bring not only AI at the cutting edge but, more generally, tech and efficiencies to the way in which we forecast. We have a working group in our staff whose task, alongside their day-to-day forecasting roles, is to look into that and bring stuff to us.

Tom Josephs and I are definitely not the most expert people to ask about the topic. However, I will say that it is not only about the forecasting but about everything else that we have been talking about, such as the communication of the published reports and the different ways of making data available to different users. We are putting as much effort into how we can use AI to improve our

communications and the efficiency with which we produce our publications and make the data that underpins our forecasts available in different formats for different needs. At the moment, AI helps in those areas as much as it will help us to come to better forecasting judgments and improve our models.

Craig Hoy: You referred to the need to look more into departmental spending rather than look only at the headline figures in order to assess sustainability. The Scottish Government frequently says that there needs to be a pivot to preventative spend, particularly in relation to healthcare—indeed, the Scottish budget is predicated on that. Can you deploy any tools or benchmarks to assess whether there is actually a shift in portfolios towards preventative spending rather than dealing with the consequences of problems that are already there?

Tom Josephs: When we analyse departmental spending over the medium term, we do not currently look at the composition of spending by department in that level of detail. As I said, our focus is mainly on departmental budgets and the risks and pressures around them, rather than on breaking those budgets down into their individual components in a lot of detail that would allow us to analyse how much is going on preventative measures versus other programmes.

We have certainly looked at that area as part of the long-term sustainability work that I talked about earlier. On healthcare, we did a deep dive in our previous long-term sustainability report into pressures on health spending, with some scenarios to look at the difference that it would make from a fiscal perspective if the health of the working-age population were better or worse than in our central scenario.

One way to achieve better health would be through more effective preventative programmes, although that is not what we were looking at. We were looking only at the fiscal implications of the outcome, if you like. Better health of the working-age population certainly makes a big difference, because you get a fiscal benefit through three channels—you have lower health spending, lower welfare spending and higher tax receipts because more people are working.

10:30

Craig Hoy: Finally, you will have seen in the submissions from the Chartered Institute of Taxation and the Institute of Chartered Accountants of Scotland recommendations or calls for us to move to a system where we have a fiscal bill or a finance bill. My colleague Stephen Kerr said that a finance bill

“would consolidate tax and spending proposals into a single legislative package, providing a clearer, more coherent narrative of how revenue generation aligns with expenditure.”

From your perspective, based on your experience at Westminster and here, would that assist us in some way in tracking how the money is being spent and how tax aligns with expenditure?

Tom Josephs: It is difficult for us to comment on the most effective way to do that in Scotland, given that our institutional experience and expertise is very much focused on the UK-wide process. It is certainly an important feature of fiscal policy making at the UK level that you have a fiscal event that brings together decisions on tax and spending and that those are taken in the round. From the perspective of ensuring fiscal sustainability, that has always been seen as an important mechanism that allows trade-offs to be made between tax and spending and the fiscal position. Taking decisions on an individual basis brings more risk of the fiscal position slipping if there is no clear trade-off mechanism.

Craig Hoy: Super. Thanks very much.

Michelle Thomson (Falkirk East) (SNP): Thanks for attending this morning. I have a general question about what the public sees from the processes. We are charting quite dangerous courses where people fail to pay attention to data and analysis. You have clearly outlined the complexity and risks of what you are doing. To what extent do you actively consider how the public can easily consume the very complex data and processes that you have to go through? Arguably, because of the complexity of the fiscal framework in Scotland, that issue is even more acute for us. I know that the Scottish Fiscal Commission has been considering that issue, but I am interested in your reflections.

Laura Gardiner: I mentioned how many of us there are at the OBR. The vast majority of those people spend their time producing forecasts, and we have a very small, very effective comms function. We think a lot about that. We have guidelines on the audiences that we are writing for in our main published documents and on how accessible documents should be. A certain level of economics understanding is required—we often talk about an informed non-expert—which we acknowledge does not make the documents accessible to everyone. As I said, we also try to use other communications methods such as social media and videos to provide information.

For an organisation of our size, which is doing what we do, we are realistic that one of our primary means of accountability is to Parliament, so we put a lot of emphasis on coming here and appearing in front of UK Parliament committees. We also recognise that most people will consume

what we do via the media, so we make our work and our analysis as clear as possible and as easily interpretable as possible by journalists.

It would probably be a misuse of resources for an organisation such as the OBR to invest lots of time in trying to directly communicate with many different parts of the public with different levels of understanding. We make different types of communications available to people who come to our website and seek out those things.

On the subject of our website, as I explained at the start, we are expanding our devolved pages. We have provided "A brief guide to the UK public finances" and a web page that sets out forecasts in depth. Time and again, I have heard that they provide people who want to understand what borrowing is or what the aggregates levy is with some of the best explanations that they have seen.

Beyond that kind of help to informed people who come to the website to seek out information, which we provide in as lay a way as possible, we rely on Parliament and the media to do such work for us, given our size. We work very closely with those two institutions so that they can give the best and most accurate account of our work. I think that that is right; it would probably be a misuse of our funding to spend too much time doing that ourselves.

Michelle Thomson: I appreciate that it is a difficult challenge.

Michael Marra (North East Scotland) (Lab): You have touched on this a little bit already, but could you say what you think the consequences are of the fiscal rules not being met by the Government?

Tom Josephs: The Government now has two new fiscal rules that were introduced after the election. The main one that is biting at the moment is the rule that requires the current budget to be in balance or in surplus in five years' time. As Laura Gardiner mentioned, the Government is meeting that rule, but by a very narrow margin. That is currently about £10 billion, which is extremely small in the context of a £3 trillion economy.

That is why we put a lot of effort into highlighting the risks and uncertainty around the forecast and the risk of not meeting the rule. The question whether the Government chooses to meet that rule or not is one for the Government. It is outside our remit to advise on whether or not the rule should be met and by how much. An important part of our job is to assess fiscal sustainability and fiscal risk, and part of the reason why we put so much emphasis on that is that the fiscal position has clearly become much more challenging over the past 20 years, in the UK and in many developed economies around the world. Debt has

risen very significantly, largely as a result of a series of big shocks to the economy: the financial crisis, Covid and the energy crisis.

Debt is at a historically high level in peacetime, and that is creating a lot of pressure on the public finances, which we can see already. Debt interest costs are extremely high as a percentage of GDP and of revenue. The fact that we have high levels of debt, high debt interest costs and high interest rates compared with the past, along with lower growth, makes it more difficult for Governments to keep debt on a relatively stable trajectory. More fiscal action is taken.

As I mentioned earlier, our long-term analysis suggests that there will be a lot more pressure on the fiscal position coming down the line, from demographics and climate change, which will only increase the fiscal pressure. The risks of not meeting the fiscal rules essentially involve allowing debt to continue to rise. The current fiscal rules mean that debt is on a broadly stable path. The risk of allowing debt to continue to rise is that the fiscal pressure will just continue and will ramp up over time. Our long-term projections suggest that, in the absence of policy action to address those challenges, debt would clearly take an unsustainable path over time.

Michael Marra: Would your organisation be concerned about recommendations to change the fiscal rules to carry more debt?

Tom Josephs: As I said, commenting on what the right set of fiscal rules is falls outside the remit that the Parliament has given us, so we do not do that, but we highlight the pressures and risks to fiscal sustainability. They clearly show the importance of keeping debt under control. Otherwise, our projections suggest that, over time, we would come on to an unsustainable path.

Michael Marra: Okay. You mentioned that a fairly significant change to the fiscal rules was made after the election in the autumn budget. Do you think that it would have been realistic to see another set of fiscal rules at the time of the spring statement?

Tom Josephs: Again, that is a decision for the chancellor. In the past, fiscal rules have been changed quite frequently in the face of shocks to the economy or changes in circumstances that meant that chancellors decided that the previous sets of fiscal rules were no longer appropriate and that the risks of trying to stick to them outweighed the risks of changing them. There is a balance of risks in all those considerations, and that is for chancellors to decide on.

Michael Marra: Do you model any potential consequences of changes to those policies?

Tom Josephs: No.

Michael Marra: It is quite a strange interaction, is it not? In essence, you are modelling the policies beneath the metapolicy, but you are unable to comment on the top level, from which all the consequences flow through.

Tom Josephs: Yes, the remit that the UK Parliament has set for us requires us to comment only on announced Government policy. That covers tax and spending policies as well as the overall fiscal policy and fiscal rules. However, as I say, we put a lot of effort into analysing the risks to our central projections and therefore to achieving those fiscal rules. We look at risks in the medium term from things such as tariff policy, weaker-than-forecast productivity and interest rates rising, and risks in the longer term from things such as demographics or climate change. All of those create considerable pressures on public finances.

Michael Marra: What was the period running up to the changes in fiscal rules that were made back in the autumn like? Those changes must have presented you with a whole set of different work to do in terms of producing new models under the new fiscal rules. Was there a conversation with Government, or did Government bring you the rules and you then just changed the models?

Tom Josephs: As I said, the current budget rule has actually been in place quite often in the past, so it was pretty straightforward for us to model and incorporate it. The rule that was different was the use of a new metric for debt, called public sector net financial liabilities. It required us to develop a new forecast methodology, to work with the ONS and the Treasury on the data underpinning the metric and to think more widely about the risks that moving to the new rule creates compared to the risks around the previous definition of debt.

As the public sector net financial liabilities metric is a wider measure of the balance sheet, it introduces new risks. There are policy risks, because it potentially creates an incentive for Government to do more policy through mechanisms such as loans and equity grants, which essentially do not increase public sector net financial liabilities in the same way that they would have increased the previous measure of debt. So, we have increased the work that we do on monitoring those risks.

Michael Marra: Did you look at just that one scenario rather than at multiple scenarios or potential other rules? There were—

Tom Josephs: I am sorry if this is not helpful, but we do not talk about our work with Government on different options in the run-up. We just focus on what the final announced policy is.

Michael Marra: That is a private conversation with the Government. Okay. That is useful.

The stated policy of the Scottish Government at the moment is to pursue full fiscal autonomy. Has the Scottish Government had any conversations with the OBR as to what the process would look like?

Tom Josephs: Again, we do not comment on our private discussions with Government.

10:45

The Convener: I will ask a final question on zero-based budgeting. Professor Bell, who will be giving evidence very soon, said in his submission:

“The UK Spending Review is a comprehensive ‘zero-based’ review that is forcing departments to justify the entirety of their spending, rather than the increment requested relative to last year’s baseline. It will involve ‘challenge panels’ including experts from the private sector and academia who will scrutinize departmental spending plans.”

What are the implications of that for the OBR?

Tom Josephs: The OBR does not have a role in the spending review on the basis that the overall spending envelope was set at the fiscal event that just happened in March and the spending review is the process of dividing that spending envelope up between departments, so it would not typically have implications for the fiscal position or for borrowing. Therefore, we would not be involved. Our role would be to incorporate the outcome of the spending review at the next fiscal event, which would typically be in the autumn. At that point, we would incorporate the spending allocations into the forecast and do another assessment of what we see as the risks and pressures around that.

The Convener: Thanks. That is very clear.

There are no further questions from members. Is there anything else that you wish to say that you feel that we have not touched upon? Is there anything that you would like to clarify or point out to the committee?

Tom Josephs: There is nothing from me.

Laura Gardiner: There is nothing from me, thank you.

The Convener: We really appreciate the OBR taking the time and trouble to come up to Edinburgh. It is one of the highlights of our year, so I thank you very much and we hope to see you again.

I will call a five-minute break before we hear from our next witnesses.

10:47

Meeting suspended.

10:53

On resuming—

The Convener: For the second part of today's evidence session on the Scottish budget, I welcome Professor Mairi Spowage, director of the Fraser of Allander Institute, and Professor David Bell, a professor of economics at the University of Stirling.

As with the previous panel, we will move straight to questions, the first of which is about your magnificent report, David. It covers so many bases that we will probably keep you here until it gets dark, which is your own fault for including so much good-quality information.

Regarding the influence and formulation of Scottish Government budget proposals, you say that

"The consensus from the responses to this inquiry is that external influence on the Scottish Government's budget process is limited"

and that

"The year-round approach is problematic, given other pressure on committees."

I know that you have looked into a number of committees in some detail. Based on your analysis, is that because of a lack of time, because the budget process is not a priority for those committees or because they feel that the work that they would do would not have an impact on Scottish Government policy?

Professor David Bell (University of Stirling): Regarding time, my report looks at the Health, Social Care and Sport Committee's analysis of the budget. That committee was given what seemed to me to be the perfectly reasonable, but fairly narrow, issue of integration joint boards to look at. The committee did quite a lot of work on that, which constrained its time because it had to take a lot of evidence on the subject and then bring it together, which partly informed the committee's budget scrutiny report. However, it seemed to me that that particular issue, which was pertinent but relatively short term, got lost when it came to the budget.

Given that experience, committees might become a bit sceptical about whether they are having an impact. It seems to me that, if scrutiny is seen not to have an impact, committees will, in the end, become a bit sceptical about the nature of that exercise.

The Convener: Is one issue the fact that committees do not want stakeholders to criticise them for suggesting that money be moved within their area of responsibility? For example, it was made clear very early in the life of this Parliament that, when committees make suggestions for spending changes, they cannot just say that they

want more money for education, health or whatever, because we would end up with every committee calling for more money for everything, which we are well used to seeing outside stakeholders—and the Opposition—routinely doing with budgets. For example, a health committee might not want to take money away from the hospital sector to put it into primary care. Does that inhibit the work of committees?

Professor Bell: Perhaps. That may be partly because any work on budgets is quite short term and does not lay out a direction of travel in the medium to long term. If a committee suggests that X should be cut in order for Y to have increased expenditure, that will have a direct and immediate impact that will create a loss for whichever group is affected. I am reminded of the behavioural economics theory that losses are felt more than gains. Committees may feel that they do not want to take that risk.

The Convener: Your point about loss aversion has been well made over the past two or three years, and I completely agree with your view on that.

Mairi, what is your view? Do you think that committees feel that they put in a lot of effort and do a lot of work for no real reward? Does the Scottish Government actually listen to committees? You write about this committee in your report, in which you say:

"The FPAC scrutiny of tax policy has succeeded in moving the conversation to net tax yields of income tax measures rather than static, which has been a really positive step and moves the discussion away from the unhelpful and unrealistic large numbers from static costings."

You point out that this committee has had some influence on the budget, although not as much as we would like.

Are there any areas where subject committees have made a significant difference to how the budget is ultimately arrived at, or is it just about the Government getting politicians into a corner and putting them in a room to hammer things out until there is a majority for the budget?

11:00

Professor Mairi Spowage (Fraser of Allander Institute): It is difficult to think of particular areas. However, I am sure that other committee conveners could point to examples of where they feel that they have had a positive impact, whether that has involved changing a Government decision through the budget process or perhaps holding the Government to account on a medium to long-term issue.

It is likely that, in general, committees feel that they have had limited success in influencing the

areas that the Government has focused on. That can be seen in the responses from the committees. For example, the Economy and Fair Work Committee is trying to get clarity on the Government's overall strategic direction on the economy and on the actions that it is taking to achieve the outcomes that it wants to achieve. It clearly feels that it has had limited success in pushing the Government on that. If committees feel that they are doing inquiries, publishing evidence or making recommendations to improve the budget process but the Government is not listening, they are likely to spend less time on such issues.

Reflecting on the budget process review group's report and all the expectations relating to the increased powers of the Parliament as it moves to a year-round budgeting process that is aligned with more responsibilities and powers for tax setting, I note that we have had, to some extent, even less scrutiny and parliamentary influence on spending decisions, because everything has been far more constrained, given the reliance on the autumn UK fiscal event. Lots of other external events have exacerbated that, too.

The Convener: What can we do to try to improve things? What can we do to ensure that committees have greater influence on the Government's budgetary deliberations? Those questions are for both of you.

Professor Spowage: More time would be good, but we cannot pretend that the reality is not that things must fall from the autumn fiscal event; that is the way that it has to happen. However, the Government should treat the spring fiscal event more meaningfully than it has done.

You will see in our response that we do not feel that the medium-term financial strategy has ever delivered what it could have delivered in setting out clearly the challenges that the Government faces. Some editions of the strategy have set out that there is a gap between what the Government wishes to spend money on and the resources that it is likely to have, but the strategy is in no way transparent on how the Government has come up with the figures for what it wishes to spend money on. That means that it is very difficult for anyone to scrutinise the challenges and the different choices that could be made.

It would also benefit committees if there was much more clarity on the decisions that are baked into the spending outlook, because that would mean that they could be involved much more meaningfully in scrutinising the challenges and choices in different policy areas. If the Government committed more meaningfully to a year-round process including the spring fiscal event, it would give committees much more of a role in pre-budget scrutiny and in engaging

meaningfully with those challenges and questions. We are in a tight fiscal environment, and choosing to spend money on one thing will mean that we are choosing not to spend it on another.

Professor Bell: I agree with Mairi Spowage that a better understanding of why the Scottish Government has made the decisions that it has made would be very useful to inform committees. I am not of the opinion that a whole lot can be done between the announcement of the Scottish budget and the passing of the bill. A year-round approach should perhaps be adopted.

I have already alluded to the problem of there not being enough time for committees to be able to do their scrutiny. In my report, I allude to the lack of committee scrutiny of longer-term issues, which are sometimes raised but then disappear into the ether during the budget process. I wonder whether there should be a different way for the Parliament to look at those longer-term issues.

I will raise an example that I know a little bit about. A very early visit of the Scottish Parliament was to Finland. A number of us went to Finland to look at its practice. It has a committee that looks at the big questions that are facing the country, and that is something that has been done consistently. In Scotland, the big longer-term issues such as demography, AI, net zero and so on do not seem to feed through in any meaningful sense into the budget or a longer-term view on where our finances are going.

The Convener: Indeed. You mention towards the end of your report "the Finnish practice", the "Committee of the Future" and the "Report of the Future" that it must produce.

You also say:

"If Social Security spending rises more quickly in Scotland than equivalent spending elsewhere ... then in the absence of significant borrowing powers, plans made by other departments will instead be disrupted."

Do you think that there is an inability to deal effectively with annual pay rises? Is that also a major issue facing the Government? We have seen almost unrealistic pay suggestions—I will call them suggestions rather than anything else—of 3 per cent a year for three years being put into the budget. Is there any possibility or likelihood that such suggestions will be held to, or is there a strong possibility that the Government will once again have to bring out an emergency statement in the autumn because it will again be giving higher settlements than were set out in the budget that was passed in February?

Professor Bell: I said to Mairi Spowage earlier that the one thing that I wish that I had added to my report—admittedly, it was already quite long—is the point that the Fraser of Allander Institute has raised in relation to pay and employment. It makes

the reasonable point that more than half of the money that is spent by the Scottish Government is spent on wages. As I am at heart a labour economist, I will say that you cannot really have a sensible long-term spending strategy without taking account of the number of employees and the likely levels of pay. Obviously, making what appears to most people to be an overly optimistic prediction of your wage costs is going to cause trouble down the line.

The Convener: You have probably heard, then, of a Professor Mairi Spowage, who says in her submission:

“Given that around half of Scottish Government current spending is on pay, any long-term-focused document that does not have a specific view on the size of employment and rate of growth in payroll over a number of years cannot be regarded as credible.”

What is your view of the 3 per cent figure? Is it credible?

Professor Spowage: The discussions and rumblings around different public sector employees, unions and so on in recent weeks suggest that it is likely to be under severe pressure. The Government set it out in the budget in a way that said that, even for those who are not part of the public sector pay policy, this should be the guardrail for discussions around collective bargaining and so on. That was stronger than what it had put in previous public sector pay policies, which was interesting. The temptation might be for some of that decision to be front loaded. We are talking about 9 per cent over three years, and that might need to be revisited as we move through the three-year period. Obviously, with the spending review coming in June, there is likely to be more certainty over the three-year envelopes, but they are likely to be severely under challenge.

The fact that there have, in general, been significantly higher pay rises in Scotland in the public sector over the past couple of years and that they have generally been consolidated and put into the baseline means that even a similar level of pay rise is going to be more challenging in Scotland, given its largely fixed budget. Scotland already has a level of median pay for public sector workers that is significantly higher than that for the UK, and it has a larger public sector, too.

There are lots of ingredients there that suggest a fiscally unsustainable situation. The SFC’s forecast for the next five years assumes that the public sector will shrink for public sector pay rises to happen, and the base level of public sector workers at that level of pay will need to come down if all the sums are to add up.

The Convener: When we discussed that issue during budget deliberations, we said that, because

of in-grade rises, promotions and so on, 3 per cent really looked like being more like 4.5 per cent, but that is not being budgeted for.

I am jumping about a bit, because I do not want to take up too much time, given that other colleagues will want to come in. However, I want to cover a number of bases that others will want to touch on. I am not going to mention AI—David Bell’s report is laced with it—because I know that a certain individual will probably want to come in on that.

Professor Spowage, you talked about the MTFS earlier and you said that it appears to have

“the trappings of a strategic document but lacks a lot of detail that would be required for it to be a useful set of forecasts. There is no detail on how the spending projections are arrived at, and therefore it is impossible to scrutinise the priority of each and how realistic they are.”

You have also said that it has largely been “abandoned”.

Added to that, you talked about the fiscal sustainability delivery plan, and you said:

“It’s unclear why a different document is needed.”

I do not think you are the only person to have said that. The SFC has said something similar. Why do you think it has produced a separate document?

Professor Spowage: To be frank, it is partly because the MTFS has not given people what they expected. When it was being produced, I thought that it would contain detailed spending plans for the next few years and that it would talk about medium-term challenges and what the Government would do to address those challenges.

The 2023 version of the MTFS compares scenarios for spending with different scenarios for revenue, and you can see the clear gaps. That led to quite a lot of discussion over the summer about black holes in budgets and how those were going to be dealt with. We then had the UK autumn statement and, in the run-up to the Scottish budget, we were trying to work out what the black hole was, whether it was real, what made up the hole, and so on.

To be cynical, the MTFS seemed to be a sort of tool of expectation management that the Government used in order to say that things are tight and that we are not going to have a lot of wiggle room. However, in the end, a balanced budget needs to be presented, because the Government must do that. The MTFS has been used as quite a political document in that way, to present the challenges that the Government is facing, without any real plan, such as a fiscal sustainability delivery plan, for addressing some of those challenges, or maybe even saying how parliamentary scrutiny and the Scottish Parliament

could take a view on how to deal with some of those challenges.

I just do not think that the MTFs provides that strategic view of spending challenges and sets the context that it should set for the year-round budget process and the pre-budget scrutiny that the Parliament was going to do over the summer. The further document has been proposed in response to the SFC's documents on fiscal sustainability and the parliamentary debate on those issues. The Government has said that it will produce another document, but I do not know what will be in it or whether it will turn out to be not very useful, just as the MTFs has not been.

The Convener: You have talked about the Government's

"lack of direction in terms of what it wants to be able to deliver in the medium-term, and therefore how to achieve it."

Do you feel that the Government is perhaps being swept along by events rather than shaping them? I realise that there are global events and UK events, so the Scottish Government's room for manoeuvre is a lot less than, for example, that of Switzerland or Denmark.

Professor Spowage: Absolutely. It has been a very turbulent time. You can see that in the sequence of documents that the Government has set out in the past five years. For example, we can see how quickly the resource spending review that was published went completely out of date because of the energy crisis, the cost of living crisis and the fact that things such as public sector pay deals were going to have to be much higher than had been budgeted for.

That does not mean that it is not important to try to make those medium-term plans. All Governments need to deal with this in their own circumstances and with the resources at their disposal. The Scottish Government does not have the levers that, for example, an independent country would have, but it is required to plan on the basis of the information that it has. Given that, for example, more information will come in June about the broad envelope for Scottish Government spending over the next three years, the Government should be looking to set out in December what that will mean, broadly, for portfolio spending over the next few years. However, I suspect that the Government will not know, due to the election next year.

11:15

The Convener: David, you have been taking a lot of notes.

Professor Bell: I largely agree with Mairi on that. I have some sympathy in that the events—

"events, dear boy, events"—have been pretty big over the past few years. However, I do not see the clear narrative in how the Scottish Government is responding to medium-term challenges and how the explanations of the budget align with what we know to be the major challenges that Scotland will face over the medium and longer terms.

Mairi and I were discussing earlier how the Government is, in effect, always dealing with the increments to the baseline and the fact that the baseline is just accepted as if that is the correct basis on which we should be budgeting going forward. We are not challenging departments to consider what they would retain if there was a 10 or 20 per cent cut to their budget. What would they decide was superfluous if circumstances became that tight?

In general, I have some sympathy, but I do not feel that the documents that have been produced thus far clearly address the longer-term issues that Scotland definitely faces.

The Convener: It is not all gloom and doom. In the submission, you say that, compared with OECD countries such as Germany, Canada, the Nordics, France, Spain and the USA, Scotland scored above average on transparency and public participation, and we scored highest on budget oversight, with a score of 91 versus an average of 74. There are some areas in which the Government is doing well.

However, you go on to talk about the programme for government, and we are going to have a new programme for government—not in September, obviously, but in a couple of weeks. You say:

"What is not clear is how the PfG relates to the budget and how specific changes in budget allocations reflect PfG priorities."

Professor Bell: Yes. Perhaps it is my fault, but I get confused by all the different documents that come out, how they align with one another and, in particular, how the budgeting of the different policy proposals aligns with the budget. I hate to bring yet another variable into the mix, but there is also the national performance framework and where the aspects of the programme for government align with measurable outcomes. I am somewhat confused by all of that.

Professor Spowage: It will be interesting to see what the programme for government looks like when it comes out in a couple of weeks, how it has evolved since September and what it will say about spending priorities over the medium term or about the challenges that the Government thinks that it is dealing with in advance of the spending review rather than after it. It will set an interesting context for the run-up to the Scottish budget in December, but I suppose that we have to face the

reality that we are getting into quite a political time in the run-up to the Holyrood election.

We have said, and many people have noted, that there are lots of strategy documents and it is not always clear how they align with one another or the extent to which they provide a strategic direction for policy making. That includes the NPF and the national strategy for economic transformation, as well as the annual, more political documents such as the programme for government, aligned with the budget documents. It is difficult to see whether they all hang together.

The Convener: Maybe the Government will produce a strategy document to bring together all the strategy documents.

David, we asked the OBR about the fact that the UK spending review will be a comprehensive, zero-based review. What are the implications of that for Scotland? Incidentally, we looked at that when we were in Estonia and we found it quite a fascinating approach. Rather than just go on the way we have always gone, let us look at things from the bottom up and at what is really essential—what should be prioritised and so on. Obviously, you know how it all hangs together, but do you think that Scotland could benefit from such an approach?

Professor Bell: I think so. It is an opportunity to bring into greater focus the long-term or medium-term objectives. You might challenge departments and ask them, “If your objective was to focus very clearly on those longer and medium-term objectives, how would you align your spending, given a cut of X or of 2X?” I am not aware of the Scottish Government ever having gone through that exercise since 1999, but I think that it would be useful to try to go through such an exercise, perhaps to streamline the activities of Government or to make them more effective, or a combination of both.

The Convener: It would be useful for capital allocation as well, which is something that the committee has talked about for a long time.

Professor Spowage: I agree. It is obviously good to think about having a zero-based spending review—not regularly, but certainly every decade or so. The priorities of Governments are likely to have shifted significantly, and Governments find it very difficult to stop doing things. It goes back to the point about people feeling loss more than gain.

It is important that we assess the opportunity cost of spending money on things that might be having an effect but might not be the most effective way to get the outcomes that we want to achieve, particularly if the Government has priorities around, say, decarbonisation or child poverty. To what extent do we know that the money that it is spending on different things is

having an impact on those quite clear and perfectly legitimate policy objectives? One of the frustrations that you can see from some of the reports that Audit Scotland has written, for example, is that, quite often, we just do not know whether and to what extent things are having an impact. That is not really a satisfactory way of spending public money.

The Convener: Colleagues might wish to explore that further. We could ask about hundreds of things, and I am sure that colleagues will dig deep.

A final question from me—what is the ideal time period for a spending review? For example, Mairi, you have said that

“Spending reviews should be shorter than a Parliamentary term, allowing for changes in policy priorities midway through it.”

What is ideal? Is it two or three years? What do you think?

Professor Spowage: Three years is generally the best period of time over which to have that sort of spending review, so that things can be assessed regularly enough. Obviously, it is all about giving certainty from the UK level to the Scottish Government and then down to local authorities and other service providers.

The Convener: So, it is maybe three years for resource and five years for capital?

Professor Spowage: Yes. With capital, it is important to have the pipeline clearly laid out, because investors and firms want to know much more clearly what the Government’s plan is, particularly on the decarbonisation side. It is important that that is around five to seven years and that the resource side is around three years. Do you agree, David?

Professor Bell: On the decarbonisation side, it is important to have as long a view as possible, whether it be five years or even longer, because those are huge investments that the private sector is making and it needs to understand what proportion of the risk the public sector is willing to share over that kind of period. I do not think that three years is long enough for that kind of decision making. It is also worth noting that spending reviews in themselves take up a lot of resource, so having them more regularly than every three years would be unwise on that account.

The Convener: I always think that, for long-term projects—city region deals being an obvious example of projects with a long development period—a spending review never happens next week, next month or even next year. It always seems to be kicked down the road—there is always that worry as well.

I will open up the session to questions. Michael Marra will start, to be followed by Liz Smith.

Michael Marra: I will start where you finished, convener. A senior civil servant described to me how they spend approximately 60 per cent of their time fighting for the budget that was set in the previous December and the other 40 per cent answering freedom of information requests. That 60 per cent is an opportunity cost of not having long-term security about budgets, is it not?

Professor Bell: I completely agree. Surely, civil servants want a period of calm in which to implement the policies that have been agreed, with the budget that has been agreed. An annual approach is deficient in the way that you have described.

Michael Marra: It has become not even annual. In the past three years, we have had emergency in-year budget statements halfway through the year, or less than halfway through the year, when the budget has had to be reset.

I am struck by the evidence that you have both presented that, despite the external environment—including the OBR, which we have just heard from, and the SFC—producing more material about the long term and long-term trajectories, the Scottish Government's process is becoming increasingly short term. It is month to month or week to week, rather than decade to decade. Is that a fair critique, based on the evidence that you have given us?

Professor Spowage: It is certainly a fair critique of the Scottish Government over the past few years. We can all have sympathy with the external events that the Government is dealing with, as David Bell mentioned, and we can recognise the relative lack of flexibility that the Scottish Government has compared to the UK Government in relation to, for example, being able to borrow more money or to deal with those short-term pressures. However, those reviews have happened for three years in a row and, although the Government has been buffeted by events, it was entirely predictable that some of those events would come to pass. Therefore, there could have been more planning—not in the budget just gone, but in the one before it—for the likelihood of, for example, more pressure on public sector pay.

Both things can be true at once: that there have been lots of events, which have led to more short-termism, and that the Government has decided to be more short term in its thinking and has been less willing to engage and to set out more medium-term changes to the way in which it spends money, so that it is able to cope with events that were pretty likely to happen.

Michael Marra: A lot of this is about the local politics. As the convener described, we are getting

another programme for government in a couple of weeks, which has been brought forward by a period of months. You have given evidence about the interaction between the MTFS, the programme for government and the national performance framework—I think that that was in David Bell's submission—and the lack of coherence across any of those documents and how they hang together. The First Minister has set out no reason other than politics for what he wants to do. It is not about good governance.

Professor Bell: I do not want to enter the political field, but I regret the fact that we do not seem to be able to hold a medium to long-term view of where we are going. It is essential that, going into the next parliamentary session, which is what this inquiry is about, we think very carefully about those principles.

Michael Marra: Surely, the means by which we, as a country, deal with the volatile external environment involves having a stronger north star direction and looking to find variations to help us to cope with that. Do you have any ideas for how we might strengthen the long-term process?

Professor Bell: First, what you have described is a situation in which the world is becoming more risky. We need ways to think about how we deal with that additional risk. Thinking about it in relation to budgeting should be a priority.

The other idea that I have put forward is that either committees separate their long-term and short-term considerations and ensure that the longer-term ones are addressed in some way or you set up a completely different forum to think about the future—à la Finland, Estonia or wherever—and the Scottish Government has to respond to the considerations that that forum comes up with.

11:30

Professor Spowage: That certainly seems like a sensible approach, because it makes space to think separately about the longer-term issues.

However, from a more practical point of view, I think that the Parliament itself has to be more invested in the year-round budgeting process and needs to put more pressure on the Government to engage in it in a meaningful way. The last MTFS was published in 2023, and, when it was presented to Parliament by the finance secretary, the only people in the chamber were, I think, from the Finance and Public Administration Committee—that was it. That shows how important the Parliament thinks it is.

To some extent, because the document itself has not given people useful stuff to base year-round budgeting on, we now have a self-defeating

circle of nobody really caring about it. The Parliament, as a whole, and its committees need to put more pressure on the Government to engage in the process in a more meaningful way, so that these challenges are surfaced in the spring fiscal statement and we can deal with them in a year-round budgeting fashion.

Michael Marra: But the Government's decision not to publish clearly devalues it, too, does it not?

Professor Spowage: Yes, because it is not seen as something that is necessary. Of course, there were certain events. It was not the Government's fault that the general election was called last year when it was. However, it is not the only time in the past few years that, for various reasons, the document has not been published, and the fact that it can be foregone and that that does not really matter should say something to the Parliament.

Michael Marra: When it comes to those kinds of events and externalities, even if we set aside certain things about which the Government cannot decide what it wants to do—indeed, which it seems unable to make a decision about—it could at least, with regard to the core assumptions, underlying need and so on, set out the agenda for what is required, given the country's demographic shape, the likely tax base and where we are headed. Given that there are always going to be events, elections and so on, we might just never publish the document.

Professor Bell: Ideally, there has to be a strategy document that takes account of all the general trends that we know are happening, as well as the risks and how we deal with unforeseen events. That should be the backbone of planning as we move forward. I guess that I agree that there will always be events, but if this strategy is to be accorded the importance that it deserves, it should, to some extent at least, be impervious to them. There could be short delays, but it should not disappear with minimum public fuss that it has not been put out there in the public domain.

Michael Marra: My last question is about the spending review that is on-going across the UK. The departmental budgets have been laid out in the UK Government's budget, and those departments are now being asked to decide policy priorities within that funding. Is there any reason why the Scottish Government should not be conducting a spending review along the same lines now?

Professor Spowage: That will depend, to some extent, on where those priorities fall within departments, given how the statement of funding policy works and the differential devolved nature of their different responsibilities. Broadly speaking, though, I take your point that the envelope is

largely set, even though there might be some movements around the edges.

I think that it is reasonable to ask the Scottish Government, if it is not already doing so, why it is not starting the process of thinking about that spending review now, so that it can give more clarity to public bodies alongside the work on the Scottish budget. It is reasonable to ask for that.

Michael Marra: We have asked, but we got a kind of blancmange of a non-answer: "We are talking about what we might do about such and such around this."

Is it not the case that the review will get pushed back until after the next election, when we will have a variation on this conversation? I think that you are being slightly generous in saying that external factors led to the cancellation of the resource spending review. It happened because there was chaos within the Government: we lost one First Minister due to horrific performance and got another one who decided to ditch the resource spending review. This committee asked the permanent secretary about the status of the resource spending review, but he had not been told, did not know and bemoaned that fact months later. It is just a mess in policy-making terms. The issue is not just about externality; it is about putting politics first, is it not?

Professor Spowage: As you would expect, I am not going to comment on that, but there is no doubt that this has been a chaotic period in the Government's handling of its finances. There have been some unexpected external events, but, as you say, there always will be and it is the Government's responsibility to manage its finances, think about risks and hedge against them. It should understand where risks might materialise and mitigate those where possible, because that is all part of being a responsible Government and managing the finances.

I do not think that anyone believes it has been a great look for the Government to have continual emergency budget statements that are somewhat rowed back on once the UK Government announces its budget. It has been quite chaotic and does not seem to be a great way to manage the finances.

Michael Marra: Is that fair, David?

Professor Bell: I agree with Mairi Spowage on that point.

Liz Smith: Thank you for the excellent evidence that you have provided for us. I will concentrate on scrutiny by Parliament. Professor Bell, I noticed your interesting comment about the role of committees and why the committee system might not lead to the most effective scrutiny. Professor

Spowage has made clear some of the issues with Parliament itself.

If we wanted to improve parliamentary scrutiny, would we need to make structural changes to the scrutiny process during the next session of Parliament, or is it a question of improving the culture within Government and the relationship between Government and Parliament regarding how scrutiny takes place?

Professor Bell: My examination of what happened in the interaction between the Health, Social Care and Sport Committee, the budget and this committee suggested that the committee took a very plausible approach when looking at how integration joint boards had performed. The committee took relevant evidence about a large chunk of health and social care spending, but the net result of all that work seemed to me to amount to not very much, because it got lost within the budget once that was announced and became tied up in issues such as whether health consequential had been passed on.

All the useful work that had been done seemed to get lost. Admittedly, that was a response to a quite short-term issue, because a lot of the IJBs were financially constrained. The longer-term issues that today's discussion has acknowledged as extremely important just got completely lost. Does that imply that committees should focus more on budget scrutiny? It seemed to me that the Health, Social Care and Sport Committee spent quite a lot of time looking at the issues, so I would be reluctant to argue that committees should spend more time on issues.

To pick up on an earlier point, the committee could have been better informed about why the Scottish Government's decisions about the biggest budget—the health budget—had been taken over time. That might have put the committee in a better position to discuss whether the Scottish Government was on the right track with regard to the medium-term and long-term issues that confront health and social care, such as demography, healthy life expectancy, and those sorts of things.

Liz Smith: Thank you for that helpful answer about the committee set-up.

What can the Parliament do better? I think that there was cross-party frustration—it is nothing to do with party politics—at the time of the budget that we had a budget debate that was a bit dead in the water. Each of the committees is asked to make a presentation in the budget debate, which is made by the committee convener and, therefore, must be objective. The limited scope for MSPs to debate in that forum is not very helpful and the debate is also constrained by time.

Some of us around the table have been arguing for a finance bill in order to enhance scrutiny, but I wonder whether a structural change in the Parliament, as opposed to committees, could make it easier for there to be good quality scrutiny and whether it could heighten the general interest of MSPs in the budget process. It would be quite easy for an MSP to avoid getting involved in the budget, yet it is one of the most important things that we do—some would say that it is the most important. Do you have any suggestions about how we could change the structure of the Parliament to improve scrutiny?

Professor Bell: In my submission, I said that I do not feel that big decisions about changing the budget can reasonably be made during the time period between the publication of the Scottish budget and the passing of the budget bill, because any big change in spending requires careful analysis, and there may not be time for that. I have suggested asking committees to separate their short term and longer-term financial considerations and to specifically debate them. I have also thought about doing more with Scotland's Futures Forum or an equivalent. Its work is worthy, but I do not think that it carries a huge amount of weight.

Liz Smith: What would be the difference between what we have, which, I would agree, is not particularly cutting edge, and something like the arrangement that Finland has? You mentioned that it has a discreet body that has been set up to do that work. What is different about those two options that makes Finland a bit better?

Professor Bell: The difference is the idea in Finland of having a committee that holds the Government to account in relation to reports that it produces. There is an option for a committee that has the ability to ask the Government how its spending plans reflect the demographic change that Scotland faces, the problems of healthy life expectancy and all the major challenges of net zero.

Liz Smith: Does that approach work well in Finland?

Professor Bell: Yes. I visited Finland with parliamentarians in 2002—I think—and the committee is still going.

Liz Smith: I think it is time for a revisit, convener.

The Convener: That is scandalous. *[Laughter.]*

John Mason: I will pursue the work that other committees are doing that has a financial impact but does not come under the heading "budget".

Along with Ross Greer, I am on the Education, Children and Young People Committee, at which—as, I am sure, you are aware—the

University of Dundee has come up. We are looking at Dundee's finances, although those do not come under a budget heading, and we will probably look at the finances of the university sector as a whole. Is such committee work not quite useful? It feeds into the wider public's thinking, and the Government then ends up saying, "Oh, we'd better do a bit more for universities." Would you say that some of the work, therefore, is more indirect? Professor Bell, I see that you want to come in.

11:45

Professor Bell: There is no part of the Parliament's activities—or any that I can think of—in which there is discussion of non-budgetary issues that do not have budgetary consequences. Almost all such issues do. There is an issue around raising awareness, and if the Education, Children and Young People Committee is doing that in respect of what is happening in Dundee, that is all to the good. The Royal Society of Edinburgh is about to hold a big conference on university financing, which might be of interest to some members of that committee.

I used to do the civil service interviews for economists, and I was told that as long as people understand what opportunity costs mean, they are halfway there. It seems to me that there is a big issue around committees. We have limits on the amount of resource that we are able to deploy in the public interest—taking or giving resources to one body will necessarily mean economies elsewhere, and I feel that committees are sometimes not quite fully aware of that simple tenet. However, a lot of that work can certainly be useful.

John Mason: I might come back to you on that.

Professor Spowage: I agree that, when committees are debating subject-matter issues, including, potentially, the best way to deal with particular challenges in the medium and long terms, they should go in depth into the fiscal issues that surround them, including which policy options might provide the best value for money and get the best outcomes for the taxpayer, as well as for the citizen who is benefiting from the service. That should be an integral part of all of the committees' work; it should not be the case that people say, "Oh, that's for the Finance and Public Administration Committee to think about once the financial memorandum's drafted," or whatever—not that that happens all the time.

I really think that such discussions should be a key part of subject committees' work, too. The more that subject committees are involved in those discussions, the more they will think about the fiscal consequences of recommendations—of

calling on the Government to do particular things—because they will be able to see the fiscal consequences. I agree that subject committees should have the fiscal consequences of different policies ingrained in them.

Some of this, including the questions from Liz Smith, seems to be more broadly about the structure and set-up of committees in the Scottish Parliament. That is in no way my area of expertise, but obviously it is something that many are keen to examine, to see whether it is as effective as it could be. One of the consequences of that, as well as of more effective scrutiny in general, will be more effective budget scrutiny.

John Mason: I largely agree with your comments. As Michelle Thomson and I have previously discussed, when we, as members of this committee, sit on another committee, such as the Education, Children and Young People Committee, we have a responsibility to raise the financial issues, because, frankly, a lot of our colleagues do not.

Following on from that, I have asked both the Scottish Fiscal Commission and the OBR about how they communicate with the public and experts. They both think that they are making progress and that the public—which probably includes MSPs—now understand the finances better. Do you think that they are making progress on that?

Professor Spowage: I think that they are making some progress, but it is difficult for bodies such as the OBR and the SFC to say that they are really engaging with the public. Our organisation tries to be a bit of a bridge between the technical stuff—such as the stuff that the OBR and the SFC produce—and broader public interest. To be honest, I do not know to what extent we are engaging with the public, whoever they are. Our readers tend to be pretty interested people who engage with our stuff quite a lot.

John Mason: You are on "Good Morning Scotland" a few times a week.

Professor Spowage: Yes, through the media we engage more broadly with the public, which is about that translation. We have to be realistic about the extent to which, day to day, people want to hear about the fiscal framework or whatever, although I know that we all love talking about it. That work is chipping away at it a bit.

The Government has done some really interesting research on tax literacy and people's understanding of tax. For example, the percentage of the public who do not realise that we pay different rates of income tax in Scotland is pretty surprising, but I suppose that we are in this world and talk about it all the time. It can be difficult to get the public to engage in this sort of stuff and tell

them the facts of the situation and why it is important. We must all continue to try to do that, but it is not particularly easy.

Professor Bell: I agree. Both the OBR and the SFC have done their bit. With its “Your Scotland, Your Finances” budget document, the Scottish Government attempted to get that engagement. It is certainly an improvement on what there has been in the past. However, once a member of the general public gets on to block grant adjustments, that usually stretches their financial literacy background.

There has always been a good case for increasing financial literacy, and I think that Education Scotland has done something about it. If a member of the public does not have the basics of financial literacy, they would struggle with any of the documents that we are talking about. That emphasises to me the need for financial education, because we want people to understand what is happening with the resources that are available. That is one part of a very strong case for financial literacy being part of the school curriculum.

John Mason: If I picked you up correctly, Professor Bell, I think that you were a bit critical of the setting of the 2024-25 budget, saying that it could have taken a longer-term view and been a bit more robust, especially because of the public sector pay issue that overtook events. I am interested in what the Government could or should have done instead of what it did. For example, should it have been a bit more up front and said, “Well, we probably will have to have a 5 per cent pay increase”? However, would the unions then just have wanted 6 or 7 per cent, with it becoming a bidding war? Alternatively, should the Government have kept money back? Should it have kept 5 per cent of the budget in a pot, unallocated, potentially meaning cuts elsewhere, so that, if things went wrong, that money could smooth things out? How would that have worked?

Professor Bell: I would tend to urge caution during periods of uncertainty when there are a lot of moving parts in the economy. If you anticipate high pay awards, those will get built into bargaining frameworks, but holding back some money would have been a plausible strategy, given what was relatively well known about the potential pitfalls over the period of that fiscal year.

Professor Spowage: Yes, absolutely. Money could have been put in the reserve. You or the Government might say that it would be criticised for not allocating every single penny that it had at its disposal, but hedging against particular risks is part of governing.

Some people have said that, if the Government had said what it was going to award for public

sector pay, that would have become a floor for bargaining, but that has not always been the case. You can look back over the past 15 years of public sector pay awards, although that was a period of austerity and so on, so it was a different time. I do not think that it is acceptable for the Government to say, “We’re not going to tell you what we are assuming about public sector pay.” What is being assumed, who it impacts and what the implications of that might be have to be set out.

The Parliament still needs to mature on the wisdom of the use of the reserve, such as when there might be big reconciliations coming on income tax. That is perhaps the case if we look ahead to December 2026. The Government would find that hard to do, because it would get politically clobbered for it.

There is another quite unhelpful discussion around underspends and the understanding of what “underspend” actually means, how easily the Government could spend particular money and the fact that it will always undershoot a little because it has to be under and cannot be over. The Parliament as a whole could be more mature about that sort of thing, which would allow the Government to perhaps make more mature fiscal decisions.

John Mason: There is one final area that I want to touch on. Both the SFC and the OBR are thinking of doing more on the expenditure side in general, rather than just looking at tax forecasts and social security. I think that the OBR is further down that route. Would that be helpful? Is it a good idea?

Professor Spowage: That has come out of issues around what the previous UK Government was spending in particular circumstances and how it was using things such as the reserve, which is supposed to be for one-off spending. In particular, the projection for Home Office spending, when you looked at previous years and what was happening in the system, was unlikely to be credible. In the past, the OBR took the departmental limits that the Treasury had given it at face value. If the Treasury said what it was going to spend on the Home Office, that was what it would spend on the Home Office, because it was in control of that.

The fact that the OBR is now getting involved in other areas of Government spending shows that there are perhaps more external drivers of how credible a departmental limit is, which the OBR is likely to comment on. For example, if particular departments are consistently overshooting the departmental expenditure limits, that is where it will take a view. If DEL projections for particular departments are not really in line with the Government rhetoric on what it will do with those departments, I think that the OBR will take a view on that and flag it as a risk in the forecast.

It is probably welcome that there is more of an external view that is not so coloured by optimism bias, which definitely exists in the Government in relation to how much it will spend on things and how much tax it will raise, but that all comes with the extra resources required for an organisation such as the OBR to operate.

John Mason: I asked it about that. It had four extra people or something like that.

Professor Bell, is it necessary for the SFC to get into this space, given that the Scottish Government is, in a sense, under more constraint than the UK Government is?

Professor Bell: I think that there is a case for it, particularly where services are, to some extent, demand led, which applies to social security. The SFC is already in that space, admittedly.

John Mason: Would health also be partly demand led?

Professor Bell: Yes. It is as Professor Spowage said: you cannot be entirely confident that the DEL that has been agreed is the DEL that will be delivered. It is not a huge additional resource, but putting resource into examining whether those commitments or that part of the budget is credible is a worthwhile use of public funds.

Professor Spowage: One example, which is closely linked to the demographic challenge, is social care demand modelling. We need to understand what the demand from people with different sorts of conditions will be, because the demand will obviously be different depending on the need of the person and where that might occur.

We have been doing research on that, but trying to get significant investment in that sort of modelling is quite difficult, even though it is a huge challenge for Scotland. Having resources somewhere, such as with the SFC, which has been looking at the issue, would be really welcome and would shed light on a huge area for fiscal sustainability and a huge concern for the future.

12:00

John Mason: Professor Bell, do you want to come in again?

Professor Bell: To add to what Mairi Spowage said, part of the problem, which we have not mentioned at all but which I raised in my submission, lies with the quality of information that we receive. In social care, it is not very good, although it is much better around health. That is what makes modelling difficult. The consequence of that is that there is much more uncertainty

around what should be set aside for the service in the budget.

John Mason: Okay. Thank you.

The Convener: We will have questions from Ross Greer, followed by Craig Hoy.

Ross Greer (West Scotland) (Green): I will pick up on the points that were raised by John Mason and Liz Smith around parliamentary process. I take on board what Mairi Spowage said about not wanting to get too far into the wider discussion about parliamentary reform.

David Bell, your submission made quite an interesting and important point on capacity. The number of MSPs is the same as it was in 1999. The Parliament has far more responsibility and, as you hinted at in your submission, a higher proportion of members are ministers. Fewer members are, therefore, available for scrutiny. At the same time as we are talking about improving the budget process, other discussions are under way around the fact that we do next to no post-legislative scrutiny. That is a significant problem. We clearly need more time to debate some of the portfolio-specific issues around the budget. Liz Smith highlighted that the way that we do that at the moment does not work. There are ways to improve, tweak and reform the processes. If you want to address whether we have the right number of MSPs, feel free to do so, but, without getting into that directly, is there a fundamental capacity issue here? Does the Parliament have the capacity to do the kind of effective budget scrutiny that we are all discussing?

Professor Bell: I made that point in my submission. I am not sure that the answer is a positive one. Delivering the kind of close scrutiny that we have been discussing for the last hour or so demands a lot from committees and a lot of committee time. It also needs good-quality information and pressure from the Parliament to deliver that information. Although I hesitate to argue for an increase in the number of MSPs, I certainly do not think that a reduction would be in any way justified. I compliment the Scottish Parliament information centre on the work that it does to support parliamentarians, but there is a question of time, information and, to a certain extent, education around very difficult topics, such as the fiscal framework. It seems to me that those issues hamper the ability of the Parliament to deliver the kind of scrutiny that I suspect the people of Scotland believe is being delivered but is not really.

Professor Spowage: I support the point not just on MSPs but on the capacity of the Parliament more widely and of you, as members with your various committee duties, to get the information and analysis that you require to be able to

scrutinise the Government effectively. There is support through, for example, the financial scrutiny unit, although I would say that it is not large enough. There are other models, such as parliamentary budget offices, but I do not think that there is enough of the support that committees like this one require. I do not think that there is enough support within the Parliament to be able to give you the analysis that you need to hold the Government to account. Again, we are in a tight fiscal environment, so calling for more resources for that is obviously quite difficult, but I think that more support for you from SPICe or from equivalent researchers would be invaluable.

Ross Greer: I absolutely agree with that. There is a wider challenge on the legislative side as well, particularly during the second half of the parliamentary session, when lots of bills are coming through. We have had a challenge with capacity, as the Parliament's legislation team has been supporting a number of amendments that members want to lodge. A wider conversation needs to be had, and a quarter of a century into devolution is probably the right time to have it.

David, I will pick up on another point in your paper on which, unusually, I am more optimistic than you are about the effects of recent changes to the process and the culture around it. The committee's challenge to organisations that submit written or oral evidence to us is that, if they want more spending, they need to identify where it will come from. You suggest—not unfairly—that that has a dampening effect and potentially mutes non-governmental organisations and other organisations that would struggle to be able to do that.

On the other side of that, it is in part because of the pressure from this committee that we have seen a higher quality of work on tax policy from those organisations that have the capacity. The Scottish Trades Union Congress started off publishing papers that were optimistic in their assumptions about revenue yield, but they have improved over the years.

If we put the important challenge to those organisations—that, if they are quite legitimately saying that we need to increase the Scottish child payment, for example, we also expect them to say where the money should come from—is it inevitable that they should do that work, or is there a role for organisations such as the OBR, the SFC, SPICe and so on? Earlier, we talked about the OBR's public information work. Is there a role for organisations in and around the Parliament to support those who would want to take part in that conversation but do not necessarily have the expertise, the knowledge or the capacity?

Professor Bell: I guess that there probably is a role for those bodies. Although many NGOs have

the capacity to make their own case, requiring them to do additional work to say where money might be taken away from would, it seems to me, require them to go above and beyond their current competencies.

I am a little nervous about NGO pressure, which is partly why I made the point about participatory budgeting. The idea of setting aside even a small amount of money, the allocation of which would be determined by the equivalent of a citizens' assembly, would attract a lot of attention from the media, even if the amount involved were relatively small. That would be one way of enhancing the profile of the budget process as a whole. I was not aware, until I used a little AI, that Scotland has quite a good record on participatory budgeting.

Ross Greer: Mairi, I am interested in your thoughts on this. Last year, the Fraser of Allander Institute was commissioned by Alcohol Focus Scotland, I think, to work up proposals for a public health levy. Was that indicative of the wider engagement of advocacy groups, NGOs and so on with some of the knottier issues around tax and where resource comes from? Have you noticed more engagement?

Professor Spowage: Yes, I definitely have. To some extent, that is due to the increased capacity that has been created by the new organisations that we have as a result of tax devolution. The Scottish Fiscal Commission is not there to help organisations to do policy costings or anything, but the amount of information that it produces and the models that it uses and makes available to people has generally increased the quality of the discussion and analysis for everybody. The open discussions with others who are doing tax policy costings—such as the STUC or the Institute for Public Policy Research Scotland—means that we are all sharing practice, that the debate has improved and that the quality of information that everybody is producing has improved.

The Scottish NGO and think tank environment could possibly mature further to ensure that more of that information is produced and that other organisations also produce it. The desire to have credible numbers for a proposal has definitely improved and increased, which is also good. A model such as that of a parliamentary budget office could fulfil more of that role, particularly for non-Government MSPs and perhaps for other organisations as well. Such a resource will never be provided by the independent fiscal institution, because of its particular role in costing Government policy.

Ross Greer: I agree with that, absolutely. One of the best—if not the best—quality budget debates that we have had in this Parliament was in either 2017 or 2018, in the year in which the Scottish Government asked all the parties to put

forward tax proposals. It then gave those to the SFC to come back with projections on them. That is the only year in which Opposition parties were invited to do that, and it improved the quality of the debate significantly. It is a shame that that did not then become a regular part of the budget process.

I have one final question about data and its availability. It is an issue that this committee keeps coming back to, it is in your report and every other committee touches on it. We produce and collect a vast amount of data, yet we consistently come up against the problem that it is not the right kind of data, that it is not what we actually wanted or that the data may well exist but it is not accessible to those who need it.

David Bell, in your paper you point to the national performance framework review as being a space in which that can be addressed. Is the NPF the right space for the Government to try to marshal the data that is available in the public sector in, or does something separate need to exist? Does there need to be clear overall ministerial responsibility for public data? I will not suggest a commissioner or anything like that; we already have a Scottish Information Commissioner, and this committee has strong views on having more commissioners. Is there a space or a point person or something that is needed to address that issue?

I am not convinced that just allowing the NPF review to take its course will necessarily address the issue. We will be back in the same place of collecting a vast amount of data, most of which we do not use and is not particularly usable, and we will either not collect or not be able to access the data that we really need.

Professor Bell: I am not sure that the NPF review will deliver everything that we require. We are in a time of crisis in terms of the collection of data. There have been serious problems with pieces of data that have been regarded for many years as gospel, such as the labour force survey collected by the Office for National Statistics, which generates the unemployment and employment rates and the number of people who are not active at all in the labour market.

It seems to me that there is a case for some kind of review that takes a broader perspective on Scotland's data needs and its accessibility. As you rightly say, there are vast amounts of data out there that are not easily accessible for a variety of reasons. We stand at a time when the processing of that kind of data is going to be far easier than has been the case. As you say, we need to stand back and ask, what are the data that are necessary to effectively ensure that the Scottish Government, in a fiscally prudent way, is meeting the objectives that it sets itself and can we be absolutely sure that the information that we are

getting is reliable, timely and of strategic significance? At the moment, I am afraid that I am a pessimist as far as data are concerned. I hope that things will turn out for the better.

Professor Spowage: David and I are analysts who have worked for decades on both economic and wider social data, and it is hard not to get cynical about progress in data linkage and sharing—making available data that is there and that could be made available but for which endless blocks are put in the way of accessing it or linking it together.

My concern is that the data landscape in the UK is very fragmented. We do research into lots of economic issues, including on things such as trade. In that area, we are doing research on the UK rather than on Scotland, but, even if you are just interested in Scottish policy outcomes, for example, you need control groups, so you need access to data in other countries to be able to say something sensible about causal links between a policy intervention and the outcomes. It is very difficult for researchers to do that, so we quite often end up with evaluations that say, "We don't really know." For example, we produced an evaluation like that on the small business bonus scheme. We just do not really know whether that is producing the intended outcomes, because the data are not good enough, which is not acceptable.

12:15

So that we can have answers to such questions, both the UK and the Scottish Governments need to take responsibility for proactively making sure that data is available for research, instead of endlessly looking for reasons not to do that. In this era of tariffs, things such as trade research have never been more important, but it has never been more difficult for researchers to get access to the data to do that sort of analysis. Data access is a massive problem, particularly given the era that we are in, in which survey data is ever more difficult to collect. Survey data will always be required, particularly on things such as unemployment. We need to utilise every public data asset at our disposal to answer the questions that those can answer for us so that we can get insights into good policy making.

Ross Greer: I point out that, although the Scottish Government operates an open government licence, almost none of its non-departmental public bodies or executive agencies do so. There is an immediate copyright blockage, even if you just want to scrape public data off their websites.

The Convener: We need a Scottish version of Estonia's X-Road, in my view. Craig Hoy is next.

Craig Hoy: Good afternoon. Professor Bell, you identify what I think is probably a clear disconnect or discord between the budget and other initiatives, such as the programme for government and the national performance framework. In relation to economic growth, you observe that, in the budget this year, there was an allocation of £15 million for an enterprise package but, beyond that, there was very little investment in measures to encourage growth. You identify that, in real terms, Scottish Enterprise, Highlands and Islands Enterprise and South of Scotland Enterprise have, in effect, had their budgets cut. That leads you to say:

“The overall effect of budget measures on economic growth would be extremely complex to evaluate, but there is a strong case for combining relevant expenditures and discussing plausible scenarios as to how these expenditures might together influence the desired outcome”,

which is higher economic growth. In effect, the budget is bust without that. Who should be doing that work? Should it be the Scottish Government or the Scottish Fiscal Commission, or could it be Professor Spowage? Clearly, there is a need for that to happen, because the fundamentals of the budget are looking particularly dicey at the moment.

Professor Bell: That is inherently very complex, although I am sure that Professor Spowage would do a great job of analysing the effects on growth. We perhaps need an explanation from the Scottish Government of why, on the one hand, a relatively small initiative is being taken that is argued to be supportive of economic growth whereas, on the other hand, an unknown about and unheralded cut has been made to the agencies that are there to promote economic growth. It is partly about an explanation of the strategic direction that the budget is taking. Economic growth is one of the objectives, so it certainly deserves a clear mention and an explanation of how the budget as a whole contributes to it.

Professor Spowage: That situation absolutely seems incongruent and at odds. We need to understand much better the impact that the agencies are having and the policies that they are pursuing, which is another area that is severely undervalued and not well understood. I come back to the challenges around evaluating those sorts of programmes properly. We need to understand whether public investment through grants or through capital investment, such as through the Scottish National Investment Bank or ScotWind, is delivering additionality in the economy and is not crowding out private sector investment.

We always need to understand whether agencies such as Scottish Enterprise, which support businesses, are supporting businesses

that would succeed anyway or businesses that will generate extra economic activity because of the grants that have been given to them at particular times or in particular areas of their development. It is really important to have a good understanding of all those issues, but I do not think that we do.

Craig Hoy: That is useful to know. Most of what I wanted to cover has been covered, but I want to ask about the old chestnut of in-year transfers across portfolios. In your submission, you repeat the argument that those transfers

“should be baselined rather than done on a recurring basis.”

You say that the Scottish Government should do that to allow more meaningful comparisons to be made across portfolios.

The cabinet secretary gave us her account of why that is not happening—she said that the money that is spent by schools that relates to health will first go into the health budget and then be transferred. Is that a decent reason for making such in-year transfers, or is there another reason why the Government likes having the ability to make such large cross-portfolio transfers?

Professor Spowage: I do not think that that is a good enough reason to make such transfers every year. The Government should simply accept that the money is education spending and put it in the education budget. Ultimately, the practice of cross-portfolio transfers causes severe confusion.

We and the SFC welcomed the change to the presentation in the budget, but, at a portfolio level, that caused absolute chaos. In areas such as social care, it meant that we were comparing apples with pears in comparing the level 4 information on what was expected to be spent in 2024-25 with the budget presentation that was put forward for 2025-26. A further step needs to be taken to enable the comparisons at a portfolio level to be much more meaningful, to prevent SPICe from getting such a headache when it produces its budget briefing and to help everyone to understand what is going on at a level 4 level.

That is part of a broader point about transparency. The Government has made some improvements in how it presents spending by classification of the functions of Government that mean that we are not simply looking at plans; we are looking at what was spent by type of spending. The more the Government can reduce repeated in-year transfers, the more portfolio spending will look like COFOG spending, because it will be classified as being spent on health, on education and so on. I do not think that it is particularly helpful for such in-year transfers to be made every year.

Craig Hoy: Politically, does the practice allow the Government, in effect, to announce the expenditure of the same money twice?

Professor Spowage: Not necessarily. It is sometimes a case of having spending in health and social care that is not spending on health. We can see that when we look at the COFOG spending—more might be spent on nursing places, which falls into the health and social care portfolio. There might be a bit of that going on. However, when it comes to the plans-to-plans presentation, the reason seemed to be that is how it had always been done. Various people, including this committee and our organisation, pushed the Government to move on from that approach.

What is the best thing to do? The best thing for the Government to do would be to baseline the spending in question and not to make such transfers again. I will keep my fingers crossed that that will be taken on board for this year's budget.

The Convener: That issue was going to be the subject of my final question, so well done, Craig.

Michelle Thomson: Thank you very much for your submissions. You have given us so much evidence. I also very much appreciate your frankness, which I think will help us to move things along—although that will be subject to the Government having an appetite for change.

That leads me to my first question. To what extent do you think that the Government really has an appetite for doing this better? I do not mind who goes first. You are smiling, Professor Bell, so you can go first.

Professor Bell: I am not sure. I am not an expert on current Scottish Government psychology, given the record over the past few years. All kinds of stuff has happened, but we are in an unsatisfactory situation at the moment.

There should be a serious re-evaluation of the presentation of the budget, the consideration of the medium and longer term and how all the different publication strategies hang together. The Scottish Government should think of addressing that, not in the long term but in the very short term.

Professor Spowage: It is difficult. As I said in my previous answer, I did not think that we would ever get away from a plans-to-plans budgetary presentation, even though we have been banging on about it for many years. However, it has moved forward and there have been improvements in transparency—for example, I did not think that we would ever produce COFOG data. Some of those things have moved on, and they are very welcome.

The broader scrutiny from organisations such as the SFC helps, as does the OBR doing stuff for

Scotland, because those independent organisations can kind of insist that improvements are made. You have seen the SFC's statement of data needs, for example, which has been helpful—and not just for the SFC; it means that other stuff is made available for people such as us.

Those organisations having an independent role helps with scrutiny and moving the conversation forward. We would all like to see more medium-term consideration of the risks around the budget. One would hope that the spending review at the UK level would at least provide some stability for the Government to do that consideration, although it may find another reason not to over the next year in particular, given the election. That might mean that we will not see that stability until after the election.

Michelle Thomson: You had quite the twinkle in your eye, Professor Bell, when you mentioned recruiting junior civil servants and their understanding the basic opportunity costs. It begs a sensible question in that, when we use the term "the Scottish Government", we are talking largely about career civil servants. To what extent have their skill sets and competencies in the area changed over the profile of the Parliament? We might have a minister who tends to believe everything that they are told without asking, "Why that is the case?" or, with regard to interrogating the data, "How do we know that this is true?" What are your reflections on that? Civil servants have an important role in supporting ministers.

Professor Bell: I am probably the oldest person in this room, so I remember the training college for the civil service that used to exist in Edinburgh. The idea of constantly enhancing skills is important, but where that sits at the moment is not entirely clear.

Career civil servants are generally very talented people. Our earlier discussion about pay levels and numbers of people omitted the question of productivity as far as the public service is concerned. There is a big opportunity coming in relation to data and the generation and evaluation of policy, because an information revolution has started to happen.

There are big opportunities there. I may be doing the Scottish Government a disservice, but there seems to be a need, given the tightness of the budget, to ensure that career civil servants are given the best available opportunities to develop their talents, in order to help the Scottish Government to achieve the kind of objectives that have been widely talked about and to inform the Parliament.

12:30

Professor Spowage: In the past, I have spoken to the committee about the work that we have done on the Scottish Government's evaluation and appraisal practices, with a focus on decarbonisation policies. There is a broader point about the Scottish Government's culture around the meaningful appraisal and evaluation of the options to ensure that there is the best value for money from whichever option is chosen.

In the wake of devolution, a wish to do things differently from the Treasury and to be a different sort of organisation has meant that the Scottish Government has perhaps gone too far the other way with regard to practices such as the green book and the appraisal of policy options. From what I have heard, the Scottish Government has recently published an evaluation framework, which suggests that it is trying to address some of that. That would be very welcome.

Overall, as a former civil servant—I declare that interest—I am quite wary of the civil service being perceived as a barrier to progress, innovation or new types of policies. Quite often, that seems to me to be a fig leaf for a lack of political bravery to make a decision, although I think that there is work to do on the evaluation of the civil service so that it is better able to appraise options up front and ensure that the best value for money is found.

The Convener: There have been improvements in the process, but it always seems to me as though the committee is having to push a rock uphill to achieve those things. We are never pushing against an open door.

I have a final question about participation. You touched on a citizens assembly—to my mind, the Parliament is a citizens assembly and we are elected. Back-bench MSPs are not consulted on anything and they do not participate in budget discussions. Matters are discussed with party spokespeople, but, although a back-bench MSP on the Education, Children and Young People Committee might get involved in the educational aspects of the budget, they will not be consulted about housing, the national health service or any other area. We might have to think more about that. If we want MSPs to have a broader understanding of finance, it does not really help for them to operate in little boxes. I think that there has to be more involvement.

It does not seem to make a difference who is in power, whether it is at Westminster or in Scotland—there is the same philosophy that back benchers are there to support the Government and that it is for the Government to do things from the top down. Do you want to comment on any of that?

Professor Bell: I was wondering about the Parliament's induction process for new MSPs and how far that could go towards their gaining a broader understanding of the kinds of topics that you are talking about. My recollection is that there used to be an induction process, but I do not know what has happened with it now. I imagine that one induction is not enough; there needs to be the on-going involvement that you are referring to.

The Convener: The kind of induction that we get as MSPs is nothing whatsoever to do with the practicalities of examining the budget—it is all weird and wonderful stuff, I have to be honest. That is an important point that we might want to add to the committee's legacy report about what we need to see happening. The Parliament will have lots of new members, given the number of retirements and, indeed, the outcome of the upcoming election.

Mairi Spowage, do you want to make any final points? Is there anything that you feel we have not yet touched on?

Professor Spowage: I agree that there is a great opportunity to for the committee to reflect on how those things could be improved for the next cohort of MSPs and to make that a part of its legacy. I do not know the extent to which there is an appetite for the wider reform of the committee system and other aspects that we have discussed for the next session of the Parliament. It is not my area of expertise, so I do not know in whose gift it is to make that happen, but, as Ross Greer said, after this period of devolution, it seems as though it is the right time to ask these questions about the effectiveness of the Parliament.

The Convener: Is there anything else that either of you wants to say before we wind up?

Professor Bell: I did not mention timing. I have been slightly critical of the Scottish Government, but the timing of the UK budget causes problems for adequate scrutiny in the Scottish budget process. My submission points out that there has not been much change in the number of days that are available to do that scrutiny, even though the Scottish Parliament has a much wider remit of powers.

The Convener: Thank you very much. My colleagues and I appreciate your time, the quality of your evidence and the work that you put into it.

That concludes the public part of our meeting. We will have a two-minute break to allow the witnesses to leave the room.

12:35

Meeting continued in private until 12:49.

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