

## **Scottish Budget 2026-27 – Pre-Budget Scrutiny by Parliamentary Committees**

This document provides detail on how the 2026-27 Scottish Budget has been informed by pre-budget scrutiny correspondence from Scottish Parliament committees.

Following the publication of the Scottish Budget, the appropriate Cabinet Secretary or Minister will provide a more detailed, written response to each committee on their pre-budget scrutiny reports. This will be provided within five parliamentary sitting days of the publication of this Budget.

The Scottish Government extends its gratitude to all committees and witnesses for their contributions and for the time taken to provide comprehensive and detailed pre-budget scrutiny correspondence.

This information is provided online as a supporting document to the 2026-27 Scottish Budget.

### **Constitution, Europe, External Affairs and Culture Committee**

Pre-budget scrutiny of the portfolio budget by the Constitution, Europe, External Affairs and Culture Committee acknowledged the positives of increases to the culture budget and considered how the remaining additional funding could be used strategically, along with alternative approaches to generating funding, to best support the sector as it continues to navigate financial and inflationary pressures. The Cabinet Secretary recognises the need to ensure that available funding is used both to provide financial security to Scotland's organisations but also to drive the strategic changes needed across the sector so that the future of the sector is both successful and, crucially, sustainable.

In 2026-27, an additional £20 million will be delivered directly to the sector through the Creative Scotland Multi-Year Funding programme, increasing financial stability for cultural organisations across the country and bringing the total annual additional budget for culture to £70 million. Our vital culture public bodies, custodians of Scotland's nationally significant assets and other organisations will be insulated from pay and inflationary pressures through a significant uplift in core funding and festivals, a major employer and test bed for Scotland's creatives, will also see a significant uplift. Our flagship programme of innovation and collaboration, Museum Futures, is also a priority for delivering on new ways to support the sector and is set to continue in 2026-27 in recognition of its active-learning approach to testing new and sustainable ways of working.

Many of the Creative Scotland Review recommendations set out in the independent Chair's recent report speak to leadership on many of the issues raised by the Committee. The Cabinet Secretary undertakes to ensure that the Scottish Government's response to the recommendations takes cognisance of the Committee's pre-budget scrutiny report.

## **Criminal Justice Committee**

The Criminal Justice Committee's pre-budget scrutiny was focused on the financial pressures facing organisations in the criminal justice sector and their main priorities for 2026-27. The Committee sought evidence on the pressure on capital budgets and investment in policing, the fire and rescue service, prisons, courts, community justice, criminal social work and the third sector.

The Committee concluded that the Cabinet Secretary should give serious consideration to the additional funds requested by the sector. From the evidence it received, the Committee suggested that an uplift of just over £400 million would be required to respond to the issues raised by Justice organisations. The Committee also noted the level of savings delivered by the police and fire services since they were reformed in 2013 and suggests that these savings should be reinvested into their future funding, as opposed to being redirected to other portfolios.

The Committee highlights the need for multi-year funding settlements for all Justice organisations to allow for longer term planning and more flexibility. This will be addressed by the publication of the Scottish Spending Review alongside the 2026-27 Scottish Budget, which will provide justice organisations with indicative budgets for the spending review period.

The 2026-27 Justice & Home Affairs budget will deliver increased funding to Justice organisations to support the delivery of essential frontline services. This will also ensure investment in the portfolio's key reform and transformation projects, which support a range of initiatives targeted at delivering improvements and more efficient public services, as well as reducing the demand on the justice system. The 2026-27 budget will also deliver additional capital investment to support investment in the prison estate, including the replacements for HMP Inverness and HMP Barlinnie. The portfolio will increase investment in Community Justice to improve confidence in alternatives to custody.

## **Economy and Fair Work Committee**

The Economy and Fair Work Committee focused its pre-budget scrutiny on a broad range of areas, including: the sustainability of Scottish National Investment Bank's (SNIB) funding model; accountability of and innovation by Enterprise Agencies and their role in supporting businesses; skills and employability priorities; and delivery of the Government's broader economic strategy in a way that drives productivity and regional economic development. They had specific asks for evidence and metrics on women's enterprise, and clarity on the Government's commitments.

The Scottish Government recognises and agrees with the Committee that aligning the Scottish Budget and Spending Review decisions with these priorities will contribute to the conditions that support investment and fair, green, growth across the country.

And because people are at the heart of fair, green, growth, we will continue funding for employability at its current level throughout the spending review period to provide stability and clarity for delivery partners. Building on our previous investments, that includes prioritising parental employability support in line with the Government's commitment to eradicate child poverty and our ambitions to address economic inactivity and reduce the disability employment gap.

The Budget also provides support for Skills which are critical to economic growth and resilience in our workforce. This includes investments in universities, colleges, apprenticeships, and funding for careers support including for Developing the Young Workforce (DYW).

The Deputy First Minister welcomes the Committee's continued support for women's enterprise. This year's funding for Enterprise, Innovation and Entrepreneurship will drive delivery of the next phase of our plan to establish Scotland as a rapidly growing start-up economy, including developing our clustering approach to support businesses in high value sectors, and scaling up advanced manufacturing platforms in areas of potential comparative advantage. An important part of this work is continuing to implement key Pathways recommendations, to widen participation in entrepreneurship, and expand the number of women starting and scaling businesses.

The Budget also secures a further £200 million allocation to the Scottish National Investment Bank to drive and unlock private investment across the Scottish economy. The Bank will also support the delivery and crowding-in of private investment into our housing sector to drive up the quality and availability of homes across Scotland to alleviate the housing crisis. This will be further augmented by our funding for Regional Economic Partnerships on top of funding to deliver on City and Regional Growth Deals and maintain regeneration investment, all supporting a local approach to growth.

### **Education, Children and Young People Committee**

Over the past year, Ministers covering the Education and Skills portfolio have engaged fully and constructively with Education, Children and Young People Committee on a range of budget-related matters, including the financial support provided to further and higher education institutions and its implications for long-term sustainability. The Committee also scrutinised a range of budget related matters at a cross portfolio session in December, including on child protection, funding for teachers, college funding, and the financial sustainability of universities, including the impact of UK immigration policy on university funding. Evidence was also provided to support the scrutiny undertaken by the Public Audit Committee on the funding and effectiveness of the Promise, and on the financial sustainability of further and higher education.

Throughout this period the Scottish Government will sustain their clear commitment to funding and supporting Scotland's schools, universities and colleges. Even against a backdrop of ongoing financial challenges, the 2026-27 Scottish Budget delivers a significant investment in Scotland's education system and child protection, to support the delivery of life long high-quality education, training, and research, so that people of all ages have the opportunity and support to fulfil their potential and priority workforce needs are met.

### **Equalities, Human Rights and Civil Justice Committee**

Following pre-budget scrutiny, the Committee produced the last report of their three-year focus on human rights budgeting on the 12 December 2025. It considered key issues including: progress against Human Rights Budgeting overall; progress against EHRBAG recommendations; data; transparency; and the participation of citizens in the budget process. This work considered the budget process rather than specific spending areas.

The Scottish Government welcomes the further recommendations from the Committee and remains firmly committed to continuing to advance our approach to equality and human rights budgeting. The Scottish Government places the utmost importance in being open and transparent about how, where and why decisions are taken on the public finances. Therefore, on the 19th of January we will publish a new Strategic Integrated Impact Assessment (SIIA) for the Budget. This publication date allows us to deliver a high quality publication which accurately reflects the key decisions announced in the Budget. This SIIA offers a new approach to assessing and better understanding the equality, fairness and other impacts of Scottish Government's key tax and spending decisions at the Budget and the Spending Review. Rather than doing individual impact assessments, this approach supports the consideration of impacts together, aiming to offer a more complete understanding of the potential combined impacts of the Scottish Government's key budget decisions on people in Scotland. This new approach has been shaped in collaboration with stakeholders, including the Equality and Human Rights Budget Advisory Group.

## **Finance and Public Administration Committee**

The Finance and Public Administration Committee have conducted several inquiries into Scotland's public finances over the Parliamentary session, and focussed this year on long-term fiscal pressures. The report highlighted: delays to fiscal publications and events in recent years; the fiscal challenges facing the Scottish Government in the medium to long term; various aspects of public spending strategy, including the approach to the Scottish Spending Review; and steps to be taken to help drive economic growth.

The Committee also remarked on improvements in the level of information provided in this year's Medium Term Financial Strategy (MTFS), while calling for greater emphasis on longer-term planning. The Scottish Government acknowledges there have been delays to publications, often driven by external factors. We continue to improve the quality and transparency of information in our fiscal publications and recognise there is an opportunity to further consider how the Government responds to the anticipated impact of long term projections.

On spending, the Committee posed questions on the future sustainability of social security investment and the appropriateness of ongoing universality; and how efficiency targets will be met while maintaining public services. The Scottish Government will continue to fully fund additional benefit expenditure from the Scottish Budget each year and notes that investment today to mitigate the harmful effects of poverty can lead to reduced demand for, and expenditure on, public services in the longer-term. The Public Service Reform Strategy provides the framework for achieving greater efficiency and workforce sustainability through system reform and service redesign, rather than through simple reductions.

The Committee also recognised the opportunity for the Scottish Spending Review to set out how the Scottish Government will address long-term fiscal sustainability challenges. The Scottish Government's four priorities have acted as the basis for the allocation of our budget across the Scottish Spending Review period. We have also focused on fiscal sustainability, ensuring spending plans are affordable and represent value for money.

The Committee also focussed on opportunities to grow Scotland's economy by improving access to skills, boosting labour market participation, growing the tax base and increasing productivity. The Scottish Government has committed to taking responsibility for skills planning at the national level, and a new planning approach will develop a better understanding of skills needs at national and regional levels and how we can address them. We are also supporting all who want to, and can work, into employment that suits their needs and skills - developing a labour market in Scotland that is open, inclusive and offers good quality and rewarding jobs across communities.

Finally, addressing the barriers to productivity growth through creating the right atmosphere for thriving businesses is critical to delivering the First Minister's priorities. We have a strong record of supporting businesses through creating the correct environment, with the establishment of the Scottish National Investment Bank and our Techscaler initiative evidence of this. We are committed to improving certainty for businesses and workers too, with the Tax Strategy published alongside the 2025-26 Scottish Budget, signalling a period of stability for Income Tax to the end of the Parliament, supporting workforce planning and individual incomes. Income Tax policy for 2026-27 fulfils the commitments we made not to introduce any new bands or increase rates, while ensuring that over half of Scottish taxpayers can expect to pay less than they would in the rest of the UK.

### **Health, Social Care and Sport Committee**

The Health, Social Care and Sport Committee's 2026-27 pre-budget scrutiny focused on mental health spending, particularly prioritisation and preventative investment. It sought evidence from Integration Joint Boards (IJBs) in order to understand current mental health expenditure, including the types of services funded and how spending decisions are made. The Committee also examined the use of Programme Budgeting and Marginal Analysis (PBMA) specifically in the context of mental health budgeting.

While supportive of the Scottish Government's Mental Health and Wellbeing Strategy and Delivery Plan, the Committee raised concerns about the lack of clear links between strategic priorities and actual budget allocations. The Scottish Government acknowledges that mental health outcomes are influenced by diverse public spending streams, with the majority of funding for mental health expenditure baselined to NHS Boards. A refreshed Delivery Plan, scheduled for 2026, will outline targeted strategic actions aligned with broader frameworks such as the Service Renewal Framework (SRF), Population Health Framework (PHF), and NHS Scotland Operational Improvement Plan (OIP).

A number of recommendations were raised by the Committee around prevention. The Public Service Reform Strategy and the PHF sets out the Government's long-term approach to prevention. As part of this, a budget-tagging approach for identifying and tracking preventative spend across the Scottish Budget is being tested. This initiative aims to establish a baseline to inform future prioritisation, with an initial set of results from the exercise planned for publication in Summer 2026.

The Committee also raised a number of recommendations around the use of data availability and evidence along with the use of PBMA in decision making. NHS Scotland's expenditure on mental health is published annually in arrears in the Scottish Health Service Costs book. The Programme Budgeting and Marginal Analysis methodology was piloted in 2012 as an additional way to categorise NHS Scotland Cost Book data but was not fully implemented.

Since then, the Scottish Government has invested significantly to improve routine data collection on service demand and access, publish new analysis on mental health outcomes, and develop additional cost data. This includes work to develop a patient level costing system, which will provide unprecedented patient-level financial insights to inform budget decisions.

### **Local Government, Housing and Planning Committee**

The Committee's pre-budget scrutiny focused on how the Scottish Budget can support collaboration between the Scottish Government and Local Government to advance public service reform at a local, regional and national level in Scotland to improve the quality of public services and reduce costs.

The Committee welcomed progress towards reform that has been made in recent years and recognised that the Scottish Government's Public Service Reform Strategy, published in June 2025, complements Local Government's own Transformation Programme which is led by SOLACE and supported by the Improvement Service. The Scottish Government will continue to deliver reform, including through supporting collaborative leadership, improving a shared accountability landscape, empowering local communities through the Local Governance Review, supporting workforce reform and consolidating the funding available for local services.

The Committee noted that, within the context of the Verity House Agreement and Fiscal Framework, collaboration between the Scottish Government and COSLA has supported the development of the 2026-27 Scottish Budget. Meaningful and early budget engagement with COSLA and Local Government continues to be a core element of budget preparations.

The Committee made specific recommendations in relation to the provision of multi-year funding and the continuation of the Invest to Save Fund. In relation to multi-year funding, the Fiscal Framework between the Scottish Government and Local Government commits to providing multi-year certainty to support strategic planning and investment wherever possible. The Scottish Spending Review which was published alongside the Scottish Budget provides resource spending plans up to 2028-29 and capital spending plans up to 2029-30. In relation to the Invest to Save Fund, the Scottish Government will again provide £30 million funding to support reform activity through ongoing engagement with Local Government and other partners; this will build on the approach introduced in the 2025-26 Scottish Budget.

The Committee also noted the challenges of increasing demand on council services, particularly in relation to social care. The Scottish Government recognises these challenges and is committed to working collaboratively with Local Government and other partners to develop a sustainable health and social care system that ensures people get the right care, at the right time, in the right place.

### **Net Zero, Energy and Transport Committee**

The Net Zero, Energy and Transport Committee's pre-budget scrutiny report emphasises the need for strong alignment between Scotland's budgetary decisions and its legally binding climate commitments. The Committee seeks to improve confidence in Scotland's Net Zero momentum by ensuring consistency between the Scottish Government upcoming Budget and the draft Climate Change Plan, along with transparency in how these decisions will reduce emissions and contribute to climate goals. The Committee seek clarity on the role of funding from the UKG and the Private Sector in the plans and how that will impact on the Budget.

The Committee reflects on the progress of the Joint Budget Review's recommendations, including the development of the Climate Change Taxonomy of the Scottish Budget, a taxonomy and narrative which classifies Scottish Government spending in terms of its alignment with our climate goals, and a Net Zero Assessment tool which quantifies the potential emissions impact of early-stage policy proposals. While recognising initial steps have been taken, the Committee notes the detail and quantification to show how spending translates into emissions reductions could be improved. The Committee seeks improvements on the granularity of classifications, inclusion of private investment roles, and clear and transparent reporting of both progress and setbacks.

Regarding the Net Zero Assessment, the Committee welcomes its readiness for roll-out but seeks clarity on implementation, scope, governance, and how its findings will influence policy-making and, ultimately, budget decisions. The Committee seeks clarity/assurance about whether all the recommendations from piloting the Net Zero assessment tool will be taken forward in full. The Committee also asks if the Net Zero Assessment will be rolled out over public bodies delivering on climate change such as SEPA and NatureScot. The Committee also invites the Scottish Government to not restrict the assessment tool to obviously carbon neutral plans and policies.

Overall, the Committee calls for a more robust, data-driven approach to ensure Scotland's financial planning supports its transition to net zero.

### **Social Justice and Social Security Committee**

The Committee's report focuses on Scottish Government investment in devolved social security benefits and on the budget issues which arise from Parliament's unanimous decision in the 2018 Social Security (Scotland) Act to establish a substantially different social security system in Scotland. The report asks for further consideration of how the Scottish Government will continue to balance its Budget given projections from the Scottish Fiscal Commission about the difference between block grant funding received in relation to social security benefits and the level of investment required to meet the spending required to deliver the devolved benefits which Parliament has established.

We note the fiscal challenges highlighted by the Committee and remain committed to fully-funding devolved social security benefits as part of wider annual budgeting and noting the parameters of both the Fiscal Sustainability Delivery Plan and Medium-Term Financial Strategy and the actions set out in both to improve the sustainability of the public finances over the medium-term. On the specific issue of projections for future social security expenditure, it's important to note that the Committee's pre-budget scrutiny was based on SFC forecasts now superseded by the updated forecasts published today which confirm substantial reductions in the requirement for future additional social security investment over and above what is received from the UK Government as a result of UK Government policy changes.