

Legacy Lessons for the Finance and Public Administration Committee (2016–2026)

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Summary

This paper analyses the main lessons from the work of the Finance and Public Administration Committee (FPAC) over the last parliamentary session, with a view to strengthening the effectiveness and influence of its successor committee after the May 2026 Scottish Parliament election.

The Committee's experience demonstrates that effective fiscal scrutiny in Scotland depends less on formal powers and more on *timing, focus, persistence* and *technical credibility*. The most binding constraints on the Scottish Budget are now medium-term and structural rather than annual, and many of the most significant risks—particularly in health, social care and social justice cut across portfolios and delivery bodies. Whereas issues with the annual budget can generally be remedied, this often comes at the cost of disruption to the medium to long-term planning that is vital for the successful development of public service provision.

Key lessons include: - scrutiny is most influential when it is early, continuous and agenda-setting, rather than reactive; - medium-term sustainability, not annual balance, should be the organising principle of scrutiny; - prevention, especially in health, social care and social justice, is central to fiscal strategy but remains weakly evidenced and poorly specified; - fragmented accountability and lack of data severely limit Parliament's ability to assess value for money; - the Committee's influence increases markedly where it demonstrates technical mastery of the Fiscal Framework and the mechanics of the budget mechanics; finally, clearer templates and earlier timing can materially improve budget submissions from other committees.

1. Purpose and context

This paper brings together the main lessons emerging from the work of the Finance and Public Administration Committee (FPAC) over the last parliamentary session, with the aim of informing the approach, priorities and working methods of its successor committee following the dissolution of the Scottish Parliament ahead of the May 2026 election.

The analysis focuses on what the Committee has learned about how effective financial scrutiny works in practice in a devolved system characterised by tight fiscal constraints, growing medium-term pressures, and increasing policy complexity due to the incorporation of additional powers, such as social justice, within the budgetary framework.

2. The fiscal environment: from annual balance to medium-term risk

What the Committee has learned

- The binding constraint on Scotland's public finances now rests on medium-term sustainability rather than on the nuances of the single-year balance.
- Structural pressures—demography, health and social care demand, public sector pay, devolved social security—are cumulative and path-dependent.
- Public sector pay is the single largest driver of resource spending, accounting for more than half of total Scottish Government resource expenditure once the health service, local government and wider public sector are included.
- Annual budgets often obscure the nature of temporary decisions, particularly on pay and workforce, which embed long-term cost commitments through pay drift, pension liabilities and workforce expansion.

Implications

- Scrutiny should prioritise medium-term affordability tests, with explicit treatment of pay and workforce assumptions.
 - The Medium-Term Financial Strategy (MTFS) and forward workforce projections deserve at least equal weight from the Committee as does the annual Budget Bill. The production of the MTFS is, of course, dependent on the production of a similar template for medium-term finance by HM Treasury.
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3. Timing and continuity: why upstream scrutiny matters

What the Committee has learned

- Scrutiny is most effective before formal budget publication, when assumptions are still contestable.
- This is particularly true for public sector pay and workforce planning, where bargaining positions and fiscal envelopes are often set well in advance of the Budget.
- One-off inquiries rarely shift behaviour; sustained attention over several years does.

Implications

- Engage earlier in the fiscal cycle, especially ahead of the MTFS and pay policy statements.
 - Treat workforce planning and pay bargaining as standing items of scrutiny, not episodic issues triggered by industrial relations pressures.
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4. Prevention and distributional effects: central to strategy, weakly evidenced

What the Committee has learned

- Prevention is routinely presented as essential to managing long-term demand, especially in health and social care.
- Evidence is often insufficient to assess whether prevention is additional, effective, or fiscally material.
- The distributional effects of both means-tested and universal public services are not well understood.

Recurring weaknesses include: - no consistent definition or baseline for preventative spending; relabelling of existing activity rather than demonstrable new investment; weak quantification of avoided demand; lack of credible counterfactuals; limited longitudinal data and evaluation.

There is a strong case for more extensive use of general purpose longitudinal surveys linked to administrative data from service providers in health, social care and social justice. These could be used to explore the distributional and other implications of both means-tested and universal services provided by the Scottish Government.

Implications

- Without stronger evidence, prevention risks becoming rhetorical rather than testable.
 - Proper financial scrutiny require adequate longitudinal data to establish a baseline, construct logic models and determine policy outcome
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5. Health and social care: integration without integrated accountability

What the Committee has learned

- Preventative and demand-management activity spans NHS Boards, local authorities, Integration Joint Boards and the third sector.
- Accountability, data systems and financial reporting remain fragmented.

As a result, the Committee has struggled to: trace funding flows end-to-end; identify responsibility for preventative outcomes; distinguish cost reduction from cost shifting or delay.

Implications

- Scrutiny must be explicitly system-level.
 - Spending should be followed from budget line to delivery body to activity to outcome.
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6. Outcomes, value for money and trade-offs

What the Committee has learned

- High-level outcomes frameworks such as the National Performance Framework provide limited leverage for financial scrutiny.
- They are weak at illuminating cost drivers, unit costs and value for money.

Implications

- Scrutiny should focus on trade-offs, opportunity costs and counterfactuals.
 - Asking what would happen if a policy failed or did not exist is often more revealing than trying to link it with high-level outcomes.
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7. The Social Justice portfolio and risks to the Medium-Term Financial Strategy

What the Committee has learned

- The Social Justice portfolio has become one of the fastest-growing components of the Scottish Budget, and a major source of medium-term fiscal risk.
- A large share of spending within the portfolio is demand-led, driven by caseload growth, eligibility criteria and take-up rates rather than fixed budgets.
- Devolved social security benefits, particularly disability-related and low-income payments, introduce material forecast and reconciliation risk under the Fiscal Framework.
- Policy divergence from the rest of the UK increases asymmetric fiscal exposure: Scotland bears the full cost of more generous eligibility or higher take-up, while Block Grant Adjustments reflect rUK trends and adjust with a lag.
- The Committee has consistently observed that:
 - Devolved social security is likely to provide continuing upward pressure on the Scottish Budget, with negative consequences for other components of the public sector such as local government or tertiary education;
 - once entitlements are established, they are politically and practically difficult to reverse;
 - short-term mitigations can embed long-term cost trajectories.

Why this matters for the MTFS

- Growth in the Social Justice portfolio reduces fiscal headroom for the rest of the Scottish Budget. This might be mitigated by increased economic growth. This would increase employment opportunities for those currently receiving welfare payments and also boost tax revenues. However, the required increase in growth significantly exceeds current Scottish Fiscal Commission forecasts for the Scottish economy.

- Forecast error and reconciliations introduce medium-term volatility, even where annual budgets appear balanced. Mitigation of these risks should be given attention in any review of the Fiscal Framework.
- Demographic change and static or increasing prevalence of disability and long-term conditions will intensify pressures over the MTFS horizon.

Implications for scrutiny

- Treat the Social Justice portfolio as a core pillar of medium-term fiscal risk, alongside pay and workforce planning.
- Require routine sensitivity analysis on caseload, take-up and reconciliation impacts over multiple years.
- Scrutinise explicitly interactions with UK policy changes and the opportunity costs imposed on other portfolios.
- Integrate social security scenarios systematically into MTFS scrutiny.

How social security risk differs from health and pay

Social security (Social Justice portfolio). Largely demand-led: spending responds automatically to caseload and eligibility. High forecast error and reconciliation risk, with delayed budget impacts. Policy reversals are difficult once entitlements are established. Fiscal risk is amplified by policy divergence from the rest of the UK.

Health and social care. Predominantly supply-constrained, even where demand is rising. Cost pressures materialise through waiting times, unmet need and service quality. Greater short-term managerial control, but strong medium-term workforce and pay pressures.

Public sector pay and workforce - Discretionary at the point of settlement, but structurally persistent thereafter. Creates long-run commitments through pay drift, pensions and headcount. Interacts with service delivery, agency costs and retention rather than demand pressures.

Why this distinction matters: social security risk is immediate, automatic and fiscally volatile. Health and social care risk is often hidden in service pressure rather than budgets. Pay risk is gradual but cumulative, shaping the entire medium-term envelope.

8. The Fiscal Framework and pay bargaining

What the Committee has learned

- Block Grant Adjustments, reconciliations and forecast error now materially shape budget risk.
- Pay settlements interact directly with Fiscal Framework risk, particularly where Scottish pay policy diverges from that in the rest of the UK and affects workforce size, retention and demand for agency staffing.

Implications

- Developing visible expertise in the interaction between pay policy, workforce planning and the Fiscal Framework strengthens authority.
 - Scrutiny should test not only headline pay awards, but their cumulative effects on headcount, skill mix and medium-term affordability.
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8. Information asymmetry and analytical capacity

What the Committee has learned

- Late data, limited scenarios and executive framing constrain the Committee's capability to challenge Scottish Government proposals.

Implications

- Earlier access to assumptions and systematic use of the expertise provided by Audit Scotland and the Scottish Fiscal Commission can significantly enhance the strength of Committee reports.
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9. Budget submissions from other committees

What the Committee has learned

- Submissions vary widely in quality and often focus on advocacy rather than fiscal risk.

Implications

- Quality can be improved through:
 - standardised templates;
 - earlier timing;
 - risk-based framing;
 - explicit treatment of prevention and avoided demand;
 - provision of feedback.
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10. Increasing committee influence

What the Committee has learned

- Influence depends more on timing, focus and persistence than on formal powers.

Implications

- Be early and set the agenda.
- Focus on fewer issues both in greater depth and over longer periods (e.g. public sector pay, the social justice budget).

- Frame scrutiny around the implicit trade-offs that are not acknowledged in the budget documentation.

Concluding message

The experience of the last five years suggests that Scotland's fiscal challenge is increasingly about managing long-term risk rather than balancing annual budgets. Pay, workforce planning, health and social care demand, and devolved social security now jointly determine the sustainability of the Scottish Budget.

A successor Finance and Public Administration Committee can strengthen its effectiveness by: making the case to both the Scottish and UK Governments that it should be able to engage earlier with the fiscal cycle; focusing on the medium-term sustainability of the Scottish budget; insisting on stronger evidence for prevention claims; making the case for better data to better understand the effects of Scottish Government budgetary decisions on desired outcomes for different groups within the population; integrating scrutiny of pay, workforce and social justice within the work plan; and building visible technical credibility with the Fiscal Framework.

Taken together, these lessons point to a model of scrutiny that is anticipatory, addresses the many risks that the Scottish Budget faces in the medium to long-term and continues to be embedded in a clear and critical understanding of the Fiscal Framework.

Annex A: Selected references and sources

- Audit Scotland, *The 2023/24 and 2024/25 Scottish Budgets*
 - Scottish Fiscal Commission, *Fiscal Sustainability Reports*
 - Scottish Government, *Medium-Term Financial Strategy* (various years)
 - Scottish Parliament Information Centre (SPICe), briefing papers on the Scottish Budget
 - Public Health Scotland, analytical work on prevention and demand
 - Accounts Commission, reports on integration and local government finance
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