



**THE BUDGETING PROCESS
AGREEMENT BETWEEN
THE SCOTTISH COMMISSION FOR PUBLIC AUDIT
AND THE FINANCE COMMITTEE**

Foreword

1. This document sets out a revised understanding between the Scottish Commission for Public Audit (SCPA) and the Finance Committee of the Scottish Parliament, in relation to arrangements to be observed in connection with the annual budgeting process. It is not intended to create any legal rights or obligations on either the SCPA or the Finance Committee of the Scottish Parliament.

2. Under the terms of a revised agreement concluded with the Scottish Ministers the Finance Committee has agreed to participate in a biennial budget cycle with a full three-stage process in Spending Review years and a more limited process in non-Spending Review and election years. A separate administrative arrangement also exists between the SCPA and Audit Scotland.

Background

3. Scottish Ministers have undertaken to submit each year in which a Spending Review occurs to the Parliament (by 31 March or the first day thereafter on which the Parliament sits), a provisional expenditure plan. This document will set out the Executive's view on priorities for the coming Spending Review period; an initial assessment of progress against the key performance targets for each portfolio set in the previous Spending Review; and general expenditure proposals for those forward years for which aggregate figures at programme level are available. The Finance Committee can then seek views from a variety of sources including members of the public and other Committees of the Parliament.

4. Normally, the Scottish Ministers will present detailed expenditure proposals for the next financial year) by 20 September or the first day thereafter on which the Parliament sits. The Finance Committee will then produce a report in consultation with other committees of the Parliament. This will comment on the Scottish Ministers' proposals and may include an alternative set of proposals. If it does, the total spend proposed by the Finance Committee will not exceed the total proposed by the Scottish Ministers. A plenary debate on the report will follow in which Committees and individual members will debate the Finance Committee's report and may seek to propose amendments to the Executive's expenditure proposals through the mechanism of tabling amendments to the Finance Committee motion. It should be noted that even if such amendments are agreed to, this does not automatically guarantee that expenditure proposals will be amended in the subsequent Budget Bill. within the total proposed.

The Scottish Ministers will produce a Budget Bill by 20 January each year or the first day thereafter on which the Parliament sits.

Audit Scotland's Budget

5. The expenditure plans of any body which has a prior call on the Scottish Consolidated Fund will reduce the total amount available to the Scottish Ministers for inclusion in their plans. Audit Scotland's budget falls into that category, albeit that this budget forms a very small proportion of the total available resources. It is therefore important that, wherever possible, accurate information about the spending plans of Audit Scotland is provided to the Finance Committee and the Scottish Ministers at an early stage.

6. To this end, the SCPA, as the body which has responsibility for examining and reporting on Audit Scotland's expenditure proposals has agreed that it will provide to the Finance Committee and to the Scottish Ministers, by mid-March each year, Audit Scotland's provisional expenditure plan. The SCPA will also provide to the Committee and to the Scottish Ministers, no later than the end of the second week in November, a further expenditure plan for Audit Scotland reflecting any changes which have occurred since March.

7. The SCPA also undertakes to keep both the Committee and the Scottish Ministers informed throughout the period between March and January of any substantive changes to Audit Scotland's budget in recognition of the fact that these would affect the Scottish Ministers' expenditure plans and the Parliament's consideration of them.

8. By convention, the Finance Committee's consideration of the Executive's draft budget (i.e. stage 2 of the budget process) has included a discussion of the SCPA's report on Audit Scotland's expenditure proposals. The SCPA's report has then been included as an annexe to the Finance Committee's report. The Committee and the SCPA wish to formalise this link, in recognition of the fact that whilst the SCPA has primary responsibility for scrutinising Audit Scotland's expenditure proposals, the Finance Committee is responsible for scrutinising Scottish Ministers' expenditure proposals as a whole.

9. This process creates the possibility of disagreement between the two bodies if they were to take a different opinion on Audit Scotland's proposals. This could result in the Finance Committee's report containing a different recommendation on Audit Scotland's proposals from that reported by the SCPA.

10. To attempt to avoid such a scenario, the Finance Committee and the SCPA can discuss the SCPA's report before the Finance Committee produces its report. The SCPA agrees that in order to assist the Committee's understanding of Audit Scotland's expenditure plans, it will seek to answer any questions from the Committee and make information available to the Committee.

11. If there is still disagreement between the Finance Committee and the SCPA, the Committee can express its comments on Audit Scotland's proposals in its report

or in the motion to discuss its report. The SCPA is free to lodge an amendment to the Finance Committee's motion. The Parliament will then vote on the Finance Committee's motion.

12. In situations where the SCPA's report expresses discontent with Audit Scotland's expenditure proposals and the Finance Committee either has no comment to make or is in agreement, the SCPA can lodge a motion on its report and seek to secure parliamentary time to debate this. Alternatively, the Finance Committee could, with the SCPA's agreement, express any discontent in its report which could then be debated in the Parliament.

13. In either case, the final expenditure proposals for Audit Scotland will appear in the annual Budget Bill, which will be voted upon by the Parliament.