

Consultation response Scottish Government: Finance and Public Administration Committee review of budget in practice

March 2025

Carnegie UK is an independent charitable foundation established with an endowment from Andrew Carnegie over 100 years ago. Our purpose is better wellbeing for people in the UK and Ireland. Our mission is to improve collective wellbeing. We do this by working with partners across the UK and Ireland to tackle threats to wellbeing and to grow support for a wellbeing approach to decision making. For Carnegie UK, collective wellbeing is about everyone having what they need to live well now and in the future. We have identified four aspects of collective wellbeing:

- **Social wellbeing:** We all have the support and services we need to thrive.
- **Economic wellbeing:** We all have a decent minimum living standard.
- **Environmental wellbeing:** We all live within the planet's natural resources.
- **Democratic wellbeing:** We all have a voice in decisions that affect us.

The Scottish Government's budget choices have a significant and wide-ranging impact upon the collective wellbeing of the people of Scotland, now and in the future. Parliament has a critical role to play in scrutiny and monitoring of the budget and we welcome the chance to respond to the Finance and Public Administration Committee's (FPAC) review of Scottish Budget processes.

National Performance Framework

How the Scottish budget is allocated and spent is perhaps the most powerful lever that the Scottish Government and Scottish Parliament have to deliver for Scotland's citizens and improve wellbeing outcomes.

We believe that further progress towards effective delivery of the objectives associated with the budget can be made by better embedding Scotland's National Performance Framework (NPF) in all areas of Scottish governance and policy making. This can and should be the mechanism through which all Scottish Government decisions around policy and practice, including in relation to spend, are made. It also provides a clear accountability mechanism for Scottish Parliament.

As Dr Max French articulated in the report '**How a strengthened National Performance Framework can drive effective government in Scotland**' (Carnegie UK, 2024), "the NPF's 11 National Outcomes and 81 National Indicators should, in theory, determine how Scotland's ~£60bn annual budget is spent, how senior leaders coordinate Scotland's 131 public bodies, how decisions made across Scotland's public life are scrutinised and how those responsible are held to account." But this research demonstrated that in practice, this has so far failed to materialise. Whilst budget lines are mapped against the NPF, there is no evidence to suggest that the framework is being used proactively to drive and inform decision-making and inform action to prioritise the outcomes which are furthest from being realised.

We share the view stated previously by this committee that the link between Scottish budgetary decisions and delivery of the National Outcomes should be much clearer. We welcome the recommendation of the FPAC committee in its November 2024 report on the review of the National Outcomes that future steps should include "better linking of budgetary decisions to the National Outcomes, as well as setting out transparently how the National Outcomes will be used by the Scottish Government in deciding National policy and strategy."

Since the Committee published that report, a new opportunity has emerged in the form of the Scottish Government's commitment in early 2025 to rethink and reform the National Performance Framework. It is critical that the Scottish Government and Parliament work together to deliver the meaningful and considered changes that will allow the framework to operate as intended and deliver better outcomes for the people of Scotland.

The NPF is a vital tool for the Scottish Parliament in holding the government to account on the budgetary decisions made. A reformed approach to the use and design of the NPF bringing together outcomes, outputs, indicators and areas of spend creates the potential for a better, clearer and clearly linked relationship between policy aims and spending decisions.

These reforms have potential to shape and inform longer-term decision making, and to consolidate action being taken to support budget sustainability, longer-term outcomes and multi-year spending.

Many of the biggest challenges faced by Scotland (e.g. eradicating child poverty) will take longer than a parliamentary term or budget cycle to address. A strategic framework focussing on longer-term outcomes can help Scotland navigate these systemic issues.

Transparency and collaboration

Carnegie UK's 2024 *Life in the UK – Scotland* research, in which we surveyed over 1100 people living in Scotland, revealed that Scotland's residents have a collective democratic wellbeing score of just 39 out of a possible 100. This means that levels of trust in politics, government and decision-making are concerningly low in Scotland, as in the rest of the UK.

Our research showed 38% of people in Scotland have low levels of trust in Members of the Scottish Parliament (MSPs), and 63% disagree that they can influence decisions affecting Scotland. This demonstrates a clear democratic deficit and a pressing need for meaningful change.

Reforming the National Performance Framework also presents a powerful opportunity for a transparent and collaborative process in which Scotland's citizens can have a meaningful voice. Embedding citizens' voices in the NPF in a meaningful way that is not tokenistic, from the start, presents a clear, transparent, and proportionate way to also deliver meaningful engagement around the budget process. This can help Government and Parliament together to tell a clear story about the decisions being made in Scotland, and why. Governments and Parliaments across the world face difficult spending decisions. The NPF can help policy makers face these choices with accountability and credibility.

The objective "to improve transparency and raise public understanding and awareness of the budget" is important and there is room for improvement. Across Parliament, there are strong examples of good engagement and practice. There is an opportunity to fully embed such practice and make it systematic. We encourage this Committee to consider its own ways of working, particularly with regard to engagement with citizens around the budget. This could be a critical channel through which to address the democratic deficit that we face and rebuild trust in politics.