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Dear Edward

Thank you for your letter of 20 March requesting further details on the carbon assessment analysis from Annex J that accompanied the Budget; please find responses to your queries below.

My officials have reviewed the analysis and I confirm that the taxonomy assessment of positive spend on climate change goals remains at £4.7 billion. For awareness, our assessment includes, "Fiscal Resource," and, "Capital," budget spend, which when summed provides the £4.7 billion figure quoted. The assessment included fiscal resource and capital to reflect the intent of the Annex to report on the Scottish Government's spending decisions. Therefore, the assessment excludes, "Non-Cash," which generally captures depreciation of assets rather than spend and, "UK Funded Annually Managed Expenditure (AME)," which reflects spending decisions outside of SG influence.

As part of our joint working with the Committee we are keen to update members on the work that has been undertaken on the further development of our approach and the work being taken forward on a Net Zero Assessment and as such my officials would welcome the opportunity of a discussion.

I note your observations about changes to the spreadsheet. In the course of the revisions, we updated the accompanying spreadsheet to the Taxonomy assessment. This was to align the reporting from Annex J with the main budget document. While 235 lines received updates, the vast majority of these were minor changes to the wording of spend lines, for instance 'Rail Franchise' was modified to 'Rail Services'. Only 14 budget lines for 2024-25 had their budget figures updated which was reflected in the update to the tables in Annex J.

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The revised figure for the Affordable Housing Supply Programme relates to the narrative segment of the Annex rather than the quantified taxonomy assessment. The figures in the narrative are separate to the taxonomy assessment. The narrative figures are intended to highlight overall spend on programmes that tackle climate change across the Budget while the taxonomy assessment identifies spend within SG control and influence.

The figure in the narrative for the Affordable Housing Supply Programme was updated to reflect the full budget allocation, ie. to include Capital, Transfer of Management of Development Funding (TMDF) and Financial Transactions. The figures for this programme were already correct in the taxonomy assessment, so the assessment and the figures contained within it remained the same.

I appreciate the Committee seeking clarification and would like to assure Committee members that the figures in both the narrative and the taxonomy assessment have been through a rigorous quality assurance process. I trust that the above responses provide the Committee with confidence that the figures in Annex J and the supporting spreadsheet remain accurate.

The overall figure of £4.7 billion has remained accurate through the revisions and the corrected figures have not changed the core message or conclusion of Annex J. It should also be noted that the main budget document remains the primary source of evidence regarding spend for any individual budget line.

MAIRI MCALLAN

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