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MPs Recommend Raising Borrowing Limits for Scotland

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A cross-party committee of Members of Parliament has urged the United Kingdom Government to consider increasing the Scottish Government's borrowing limits, arguing that current restrictions limit Scotland's capacity to manage economic pressures effectively.

The Scottish Affairs Committee, which conducted an extensive inquiry into Scotland's fiscal arrangements, concluded that the borrowing caps currently set at £600 million for day-to-

day expenses and £450 million for capital projects are too restrictive. The committee's report stated that tying capital borrowing solely to inflation is insufficient to ensure the Scottish Government can address unforeseen financial challenges or invest adequately in infrastructure. Instead, Members of Parliament recommended linking borrowing limits to the most favourable growth metric available, thereby offering greater flexibility.

The inquiry also assessed the Barnett Formula, the financial mechanism used to determine the level of funding the United Kingdom Government allocates to Scotland each year. While acknowledging its flaws, the committee found the formula to be broadly fit for purpose and rejected suggestions that funding should be determined strictly by need. The report emphasised that Scotland already benefits from higher per capita funding compared to other parts of the United Kingdom, and any significant changes could lead to reduced financial support for public services.

Scottish Finance Secretary Shona Robison, in written submissions, reiterated her preference for full fiscal autonomy, an arrangement in which Scotland would have complete control over taxation and spending. However, the committee dismissed this proposal as unrealistic, noting the absence of a clear plan demonstrating how such autonomy would operate within the existing constitutional framework. Ms. Robison declined an invitation to present evidence in person, which the committee said undermined the seriousness of her position.

Responding to the report, Scottish Secretary Ian Murray highlighted that the spending review delivered an additional £9.1 billion to Scotland, representing record funding levels. He argued that this generous settlement should deliver better results for Scottish residents, including improved education standards and reduced waiting times in essential services. Murray also criticised proposals to scrap the Barnett Formula, warning that doing so could result in a substantial funding shortfall.

While the debate over Scotland's fiscal powers continues, the committee's findings underline the importance of balancing accountability with sustainability. Rather than pursuing sweeping constitutional changes without a credible plan, policymakers may be better served by refining existing arrangements to provide targeted flexibility where it is genuinely needed.