

An Leas-phrìomh Mhinistear agus Ath-shlànachadh  
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20 December 2022

Dear Kenneth

### **Pre-Budget Scrutiny Report 2023-24**

Thank you to the Committee for its pre-budget scrutiny report ahead of the 2023-24 Scottish Budget.

I welcome the Committee's acknowledgement of the challenging economic outlook. As I set out in my statement last Thursday, the Scottish Government Budget for 2023-24 takes place in the most turbulent economic and financial context that most people can remember. That context is creating enormous pressures on the public finances

Public sector reform is now a necessity. Building on the plans we outlined in the Medium Term Financial Strategy and the Resource Spending Review, we will take forward an agenda consistent with the principles of the Christie Commission, with a significant emphasis on early intervention and prevention as we work to create person-centred public services. We have made significant progress in applying the principles of the Christie Commission and this Budget details how we will continue to drive public service reform, creating person-centred public services and rationalising our public bodies.

The Scottish Government has used our budget proposals to choose a more progressive path for Scotland. We want to create a Scotland that can eradicate child poverty, enable our economy to transition to Net Zero and create sustainable public services that support the needs of the people of Scotland.

We have sought to ensure those hardest hit by the cost of living crisis are supported, through fair pay increases for public sector workers, especially the lowest paid; expanding the Scottish Child Payment and increasing its value to £25, and supporting the uprating of benefits.

I have carefully considered the points raised by the Committee and a detailed response is set out in the annex to this letter.

I look forward to working with the Committee and the Parliament on the scrutiny of the Budget

**JOHN SWINNEY**

## ANNEX A – DETAILED RESPONSE

Para No.	Topic	Comment/Recommendation	Response
36-37.	Linking budgetary decisions to the delivery of national outcomes	<p>The Committee recommends <u>that there be a clearer link between spending decisions in the Scottish Budget and their impact on the delivery of national outcomes</u> and we ask the Scottish Government to confirm it will seek to make progress on this matter in its 2023-24 Scottish Budget. This is particularly important during uncertain times where funding allocations and decisions around efficiencies and revenue-raising may be more fluid and challenging to track.</p> <p>While we welcome the Deputy First Minister's continued engagement with the Committee on the spending challenges it faces in current and future years, we ask the Deputy First Minister to also provide detail in his updates to the Committee of the potential impact of these changes on the delivery of national outcomes.</p>	<p>The Scottish Government is committed to the delivery of the national outcomes in its National Performance Framework and the Scottish Budget underpins this delivery. In recent years information has been included in the portfolio chapters of the Budget document to identify the national outcomes most closely associated with a portfolio's budget. The Committee's interest in this area is understood and the Scottish Government has been considering this question further. It is challenging to identify in a meaningful way the individual annual impact of multiple budget lines on the delivery of longer term, complex national outcomes.</p> <p>We are instead developing an approach centred around multi-year programmes, the associated outcomes and the annual spend profiles attached.</p> <p>The Scottish Government considers the longer term financial outlook through its Medium Term Financial Strategy which is published each year with longer term spending plans developed through spending reviews. The Resource Spending Review published in May 2022 introduced a multi-year focus on our child poverty and climate change priorities and the strategic chapter of the 2023-24 Scottish Budget sets out how we have made choices to further these priorities.</p>

Para No.	Topic	Comment/Recommendation	Response
47-49.	Fiscal Transparency	<p>The Committee welcomes the Scottish Government's commitment to use the conclusions in its Fiscal Transparency Discovery Report to improve the way in which financial information is presented and published in future.</p> <p>We note that these changes will not be implemented until 2025. We urge quicker progress on this matter and therefore invite the Scottish Government to revisit this time frame.</p>	<p>The Fiscal Transparency Discovery Report sets out a clear ambition to strengthen the accessibility of financial data, including how it flows through the system from end to end and how that changes over time. A programme has been established to take this forward, continuing to use an Agile approach. During 2022 the programme identified existing infrastructure investment data as the subject for a pilot. The aim is to identify a technical solution to structuring, standardising and visualising the data, showing (where feasible) how it flows through the system from end to end and over time. It will test the concept and the technological, operational and data requirements to achieve this. A prototype will be delivered in Q1 2023; with a Minimum Viable Product by end 2023.</p> <p>To achieve the ambition of being able to <i>follow the money</i> through the system and over time will take many years. Following the pilot phase, we will decide next steps based on learning from the pilot and judgement about the scope and scale of the next phase of work which will be feasible and affordable. The 2025 timeframe relates to the overall Open Government Plan which includes progressing this specific commitment to improving the transparency of financial data.</p>
		<p>We note the recommendation by the Scottish Fiscal Commission in its May 2022 Forecasts that the Scottish Government should include in its Budget information on how spending is split by the OECD's Classification of Functions of Government (COFOG), as well as by portfolio. The Committee believes that adding this information would improve transparency and better support parliamentary scrutiny and therefore seeks assurances that</p>	<p>The Scottish Government has agreed to provide the SFC with COFOG information on the 2023-24 Scottish Budget in the weeks following the publication. The COFOG information will also be published on the Scottish Government's Budget web page.</p>

		the Scottish Government will act on this recommendation	
		The Committee also believes that linking budgetary decisions to the delivery of national outcomes, as recommended earlier in this report, will help to achieve greater transparency.	Noted.

Para No.	Topic	Comment/Recommendation	Response
65 - 68.	Raising revenue and stimulating economic growth	The Committee seeks details of which areas of the Budget the Scottish Government considers to be key to delivering the National Economic Transformation Strategy.	<p>Through the delivery of our National Strategy for Economic Transformation (NSET), we can help ensure that Scotland emerges strongly from the current economic crisis. We will share our longer term future in line with our vision for a wellbeing economy. The NSET sets out five transformational policy programmes, which are designed to tackle long term structural challenges, build on our economic strengths, and position Scotland to maximise the greatest economic opportunities of the next ten years. The five policy programmes focus on: stimulating entrepreneurship; opening new markets; increasing productivity; developing the skills we need for the decade ahead; and ensuring fairer and more equal economic opportunities.</p> <p>The 2023-24 Scottish Budget will continue to prioritise actions that will contribute to the NSET and wider, sustainable and inclusive economic growth, including:</p> <ul style="list-style-type: none"> <li>• Providing the Scottish National Investment Band with an additional £244 million to continue the investment in Scottish businesses, projects and communities across all of its three missions – Net Zero, place and innovation.</li> <li>• Investing £50 million in the Just Transition Fund for the North East and Moray.</li> <li>• Investing £42 million over the next five years to boost entrepreneurship by supporting start-ups in Scotland through our national network of Techscalers and pre-scalers.</li> <li>• Delivering the £34 million Scottish industrial Energy Transformation Fund.</li> <li>• Developing and rolling out a delivery plan empowering regions to become lead agents of economic growth.</li> <li>• Helping Scotland become a global leader in sustainable and regenerative agriculture by committing £44 million for the National Test Programme, Agricultural Reform Programme and Agricultural Transformation Fund.</li> </ul> <p>The Committee may wish to note that on 31 October delivery plans were published for each of the NSET programmes and since the publication of NSET, we have:</p> <ul style="list-style-type: none"> <li>• Appointed Mark Logan as the Scottish Government’s first ever Chief Entrepreneur;</li> <li>• Launched a £10 million Hydrogen Innovation Scheme;</li> <li>• Confirmed that all 17 successful ScotWind applicants have option agreements:</li> </ul>

			<ul style="list-style-type: none"> <li>• Expanded Scotland’s SCDI-led network of Productivity Clubs for businesses to use peer to-peer learning to improve productivity;</li> <li>• Offered support to 500 previous recipients of the Digital Development Grant through investment of £500,000 to run the Digital Productivity Lab Pilot;</li> <li>• Launched an independent review of the Skills Delivery Landscape, focusing on the functions and remit of Skills Development Scotland.</li> </ul>
	<p>Raising revenue and stimulating economic growth</p>	<p>We would also welcome any update the timing and remit of the Fiscal Framework Review.</p>	<p>The Fiscal Framework Review is due to commence once the independent report has been finalised and agreement has been reached with HMT counterparts on detailed arrangements for the review. Work is currently underway between officials to develop a Terms of Reference for the review, which will be agreed by Ministers in the coming months.</p> <p>The final scope of the review is subject to agreement with the new Chief Secretary to the Treasury. However, the Scottish Government is clear that the review must comprehensively consider the operation of the current framework and ensure that the Scottish Government and Parliament have the necessary powers to manage the risks we face within our devolved responsibilities, and to support economic recovery.</p> <p>I welcome the Committee’s ongoing input into the forthcoming review of the Fiscal Framework, and its support for the issues that need to be considered.</p>

Para No.	Topic	Comment/Recommendation	Response
		<p>The Committee notes the explanation given by Scottish Government that spending on employability services in this financial year is being reduced to fund public sector pay deals, due to current low levels of unemployment. However, we are concerned at the potential impact this cut in funding may have on vulnerable people and those experiencing poverty during these most difficult of times.</p> <p>We therefore ask the Scottish Government to make available any impact assessment carried out to understand any adverse impact of the decision on the most vulnerable in society and on its ability to meet its child poverty targets.</p>	<p>The decision to make a £53 million reduction to parental spend in 2022-23 as part of our Emergency Budget Review has not been easy. At a time of acute labour shortages, historically low unemployment and soaring inflation, we have taken the view that we must prioritise money in people’s pockets now over spending on employability which is unlikely to result in immediate benefits for individuals.</p> <p>However, for 2023-24, we will reinstate funding to support the employability response to child poverty, with £69.7 million committed in the Budget in recognition of the important role that employability support has to play in tackling child poverty.</p> <p>We are aware that the economic and policy context has changed since March 2022 when our cumulative impact assessment was published alongside Best Start, Bright Futures. This is a constantly moving picture, with a series of policy announcements, retractions, and further announcements by the UK Government, and the economic outlook remains exceptionally uncertain. We are continuing to monitor the situation and to consider the impacts of our policies on child poverty.</p> <p>In line with the approach adopted for individual measures within the Emergency Budget Review in 2022, no formal impact assessments were carried out specifically for the changes announced to employability interventions. As the funding referred to by the Committee was intended to be additional in 2022-23 and had not yet been issued, there was no reduction in services being delivered and the intended target groups continued to be supported through the existing employability investment of over £82 million as outlined above. Eligibility for support remains unchanged across both No One Left Behind and Fair Start Scotland as a result of this decision.</p> <p>An Equality and Fairness Evidence Summary was published alongside the Emergency Budget Review, which set out the potential impacts on equalities associated with the decisions made. This is available <a href="#">here</a>. Furthermore, an <a href="#">EQIA</a> was published to cover Programme 5 of the Scottish Government’s National Strategy for Economic Transformation, which encompasses our parental employability support commitments.</p>



			As we begin to look to delivery of support in 2023-24, we will update the <u>No One Left Behind EQIA</u> to reflect planned additional activity around child poverty, and conduct a Fairer Scotland Duty assessment in the next financial year.
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		<p>The Committee notes the explanation given by Scottish Government that spending on employability services in this financial year is being reduced to fund public sector pay deals, due to current low levels of unemployment. However, we are concerned at the potential impact this cut in funding may have on vulnerable people and those experiencing poverty during these most difficult of times.</p>	<p>In relation to spending on employability services, in keeping with the approach adopted for individual measures within the overall Emergency Budget Statement, there were no formal impact assessments carried out specifically and separately for the changes announced to employability interventions. As this funding was intended to be additional in 2022/23 and had not yet been issued, there was no reduction in services being delivered and the intended target groups continued to be supported through existing employability investment of over £82 million through No One Left Behind and Fair Start Scotland in this financial year. Eligibility for support remains unchanged across both No One Left Behind and Fair Start Scotland as a result of this decision.</p>
		<p>The Committee is encouraged to hear that both Governments are engaging constructively in exploring the scope to create investment zones in Scotland and considering potential impacts carefully.</p>	<p>We are waiting for updated information from the UK Government following the Chancellor's announcement in the Autumn Statement that the policy would be refocused. In the meantime, officials have shared with their UK Government counterparts some initial thinking aligned to our National Strategy for Economic Transformation and our approach to regional economic policy. We await the UK Government's response.</p>

Para No.	Topic	Comment/Recommendation	Response
76	Cost of living support	<p>The cost of living crisis touches on all areas of society, from businesses to households, to voluntary bodies to communities.</p> <p>The Committee welcomes the Scottish Government's commitment to provide immediate support to those most in need. However, inflationary pressures and increasing interest rates are likely to persist into the next financial year at a time when the UK Government's Energy Price Guarantee is also now due to conclude.</p> <p>The Scottish Government is asked to consider carefully if and how short-term measures designed to be an immediate fix over winter might be extended into next year's Budget 2023-24.</p>	<p>The Scottish Government continues to look carefully at these issues. The Emergency Budget published on 2 November 2022 identified additional resources to support those hardest hit by the cost of living crisis, including through fair pay increases for public sector workers, especially the lowest paid.</p> <p>Key actions included:</p> <ul style="list-style-type: none"> <li>• Doubling the value of the December 2022 Scottish Child Bridging Payment to £260, benefitting around 145,000 school age children registered to receive free school meals;</li> <li>• Expanding the Scottish Child Payment to eligible 6-15 year olds and increasing its value to £25 per child per week; and</li> <li>• Doubling the Fuel Insecurity Fund to £20 million for 2022-23.</li> </ul> <p>The 2023-24 Scottish Budget continues to focus on what support might be provided across Scotland to businesses; households; communities; the third sector and those who deliver our public services in Scotland with the continued cost of living crisis. It includes:</p> <ul style="list-style-type: none"> <li>• Continuing the £20 million Fuel Insecurity Fund as we know the real and tangible impact this is making through our delivery partners, towards helping the most vulnerable in society;</li> <li>• Uprating all devolved benefits in April 2023 by September CPI (10.1%) at a cost of £427 million and the early uprating of the Scottish Child Payment with its increase to £25 per week, available to around 387,000 children - a benefit not available in the rest of the UK.</li> </ul>

Para No.	Topic	Comment/Recommendation	Response
77-78	Cost of living support	<p>The Committee heard compelling evidence that the cost of living crisis is having a disproportionate impact on women and we therefore ask the Scottish Government to consider how it can best support women through these challenging times.</p> <p>The Committee notes that the Equality and Fairer Budget Statement, which accompanies the Scottish Budget, is designed to assess where the Scottish Government is proposing to spend public money and how it aims to reduce inequality.</p> <p>We encourage other parliamentary committees to play a role in scrutinising policy decisions for their potential impact on women, including through evidence-gathering.</p> <p>To support this work, we ask the Scottish Government to put in place robust and transparent processes to evaluate all policies and outcomes for gender impact.-</p>	<p>The Scottish Government remains committed to supporting women’s equality and rights, and mitigating, with the powers and resources at our disposal, the disproportionate impact of the cost of living crisis on women.</p> <p>The 2023-24 Scottish Budget outlines Scotland’s spending plans and tax choices, based on our progressive values. It is accompanied by an <a href="#">Equality and Fairer Scotland Budget statement</a></p> <p>The situation facing the Scottish Government is, in financial terms, by far the most challenging that we have faced under devolution. We accept the principle of integrating intersectional gender analysis into our policy making and are taking this forward as part of our wider work on equality and human rights budgeting.</p> <p>The cost of living crisis has emphasised the importance of this work. We recognise that the impacts of the crisis will not be felt equally and are likely to disproportionately affect some households and groups, including women.</p> <p>The Equality and Fairer Scotland Budget Statement provides an overview of the Scottish Government’s approach to assessing impacts on protected characteristics. Annex A provides more detail on our approach to equality impact assessment throughout the year as well as through the Budget process.</p>

Para No.	Topic	Comment/Recommendation	Response
85 – 86.	Public sector pay	<p>The Committee acknowledges the challenges faced by the Scottish Government in identifying additional money to fund public sector pay rises which respond to inflation.</p> <p>We note that, in response to this challenge the Scottish Government will seek to reduce the public sector head count over the rest of the parliamentary session and is currently using recruitment controls and leaving some vacancies unfilled.</p> <p>We understand that this is a concerning time for the workforce and we therefore welcome the Deputy First Minister's commitment to take a partnership approach with the workforce and to be open and transparent on these difficult issues. The Committee further welcomes the First Minister's commitment to a policy of no compulsory redundancies in the public sector.</p> <p>We ask for assurances from the Scottish Government that it will</p>	<p>We welcome the Committee's acknowledgement of the challenges faced by the Scottish Government in identifying additional money to fund public sector pay rises which respond to inflation and Ministers' commitment to a policy of no compulsory redundancy.</p> <p>Pay and workforce must now, more than ever, be explicitly linked to both fiscal sustainability and to reform, to secure the delivery of effective public services over the medium term. To support this, the proposal in the Resource Spending Review was broadly to hold the total public-sector pay bill (as opposed to pay levels) at around 2022-23 levels whilst returning the overall size of the public sector broadly to pre-COVID-19 levels – excluding local government given their separate responsibilities. This was a broad approach, not a target, within the overall ambition to focus any workforce growth in priority areas.</p> <p>Since the RSR, we have developed our proposition around targeted workforce growth in priority areas. It is for individual public bodies to establish fair and sustainable 2023-24 pay levels in dialogue with their respective trade unions – and to balance their overall pay bill with investment in systems and processes, wider investment in people, and the reform and redesign of services, so that they deliver efficiently and effectively within the context of their overall budget allocation. It is for individual public bodies to determine locally the target operating model for their workforce, to ensure workforce plans and projections are affordable in 2023-24 and into the medium-term and to deliver services which best support the delivery of national outcomes and adhere to reform principles.</p> <p>The recruitment controls referred to by the Committee are within the Scottish Government itself, to ensure the organisation continues to deploy its resources flexibly, with any required growth focused on priority areas.</p>

	<p>approach reducing the public sector headcount in a systematic, transparent, and co-ordinated way, in tandem with the public service reform agenda, with a view to minimising any impact on the delivery of public services.</p> <p>We also seek confirmation that, alongside any consideration of proposals for workforce reduction, an assessment of any impact on the delivery of the national outcomes is undertaken.</p>	
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Para No.	Topic	Comment/Recommendation	Response
93 – 96.	Prevention and early intervention	<p>While the Committee recognises that the strain on Scotland's public finances is both substantial and immediate, we believe preventative measures are key to unlocking future benefits of a healthier and more prosperous society, while also saving significant sums in the longer term.</p> <p>The Committee asks the Scottish Government to set out how it will make progress with its preventative agenda over the remainder of the parliamentary session given the current fiscal pressures.</p> <p>We also ask in the short-term how the Scottish Government will seek to ensure preventative measures are funded in this year's Scottish Budget.</p> <p>The Committee, in addition, seeks information on how the Scottish Government assesses its policy decisions for preventative impact.</p>	<p>The Scottish Government supports a public health approach to prevention that understands three types of prevention as required to improve outcomes and reduce inequalities:</p> <ul style="list-style-type: none"> <li>• Primary prevention – interventions across our early years, learning, work, income, communities and population health policies that improve the fundamental building blocks of wellbeing and good health by preventing problems arising in the first instance;</li> <li>• Secondary prevention – early intervention actions to prevent progression to more harmful and serious outcomes;</li> <li>• Tertiary prevention – actions to manage harms and rehabilitate where harm has already occurred to prevent it from worsening.</li> </ul> <p>Actions and interventions that support primary prevention are understood to have the greatest impact on population health and wellbeing and on reducing inequalities. As part of our budget considerations, we are continuing to prioritise investment in universal and targeted services that support primary prevention.</p> <p>Fundamental to this approach is improving the preventative impact of the significant investment in public services that this budget represents – including through supporting developments like the Glasgow Pathfinder as set out in <i>Best Start Bright Futures</i>, our Tackling Child Poverty Delivery Plan – which aim to improve how public services work together to better meet people's needs in a person centred (rather than system centred) way.</p> <p>The preventative impact of policy development across portfolios is informed in a number of ways, including through the use of a range of Impact Assessments (on Equality, Children's Rights &amp; Wellbeing, the Fairer Duty Scotland Assessment) and through collaborative working with key delivery partners with expertise in prevention including Public Health Scotland (PHS).</p>

Para No.	Topic	Comment/Recommendation	Response
102 – 104.	Financing Net Zero targets	<p>The Committee notes the planned increase in capital funding for Net Zero programmes over the next three years, as set out in the Scottish Government's Targeted Review of Capital Spending (2023-24 to 2025-26) and seeks clarification on whether these funding allocations might be affected given the increasing pressures on the Scottish Budget.</p> <p>The Committee invites the Scottish Government to provide details of how it is engaging with the private and third sectors to secure investment in measures to help achieve its interim targets of reducing emissions by 2030 and its Net Zero targets by 2045.</p> <p>We also ask the Scottish Government to confirm whether it is confident that the plans and funding it has in place, along with those of public bodies and local government, are sufficient to ensure their climate change obligations will be met.</p>	<p>Funding set out in the Targeted Review of Capital Spending gives an indication of the spending trajectory for Net Zero capital programmes however as with all other Government spending plans, these are subject to the annual budget process which allows Ministers to respond to the economic context, market volatility and budgetary pressures. The Government's commitment to a just transition to Net Zero is unchanged, and indeed this was one of our three Budget priorities.</p> <p>Our Global Capital Investment Plan (GCIP) published in March 2021 seeks to achieve alignment between Scotland's investment needs and the supply of internationally mobile capital. To drive investor interest Scotland will seek to offer large scale, good quality investment opportunities in projects and businesses, and we will ensure that devolved regulations and incentives encourage investment. We will continue to work to ensure the Government and the wider public sector shift from a "funding to financing" approach to create the right conditions for private investment to support policy objectives.</p> <p>Scotland has made great progress on our Net Zero journey – such as in decarbonising the energy supply – but further emissions cuts will involve some genuinely difficult decisions for Scotland requiring significant long-term private investment and behaviour change, and discussions are ongoing on how best to secure the financing that will be required.</p> <p>Our focus remains on delivering the updated Climate Change Plan, delivering on our adaptation outcomes through the 2019 Adaptation Programme and planning for a just transition across the economy.</p>



	<p>We also look forward to considering the progress made in the Scottish Budget 2023-24 following recommendations from the Fraser of Allander Institute aimed at presenting climate change information in a more open and transparent way, that better supports parliamentary scrutiny and public understanding.</p>	<p>Ministers wrote to NZET and FPAC Convenors on 18 November with the proposed Final Report of the Scottish Government and Parliament's Joint Budget Review Working Group. This report includes recommendations to conclude the work of the Joint Budget Review, alongside actions the Scottish Government would take, informed by research undertaken by the Fraser of Allander Institute, to enhance scrutiny and transparency in the consideration of climate change in the Scottish Budget.</p>
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Para No.	Topic	Comment/Recommendation	Response
117 - 125	Public service reform	<p>The Committee recognises that the driver for public service reform and efficiency savings, as detailed in the Resource Spending Review, is the significant pressures on public finances in Scotland.</p> <p>We note that reform and efficiencies often require costs upfront and time to deliver and we therefore invite the Scottish Government to confirm whether its plans to achieve savings by the end of this parliamentary session are realistic.</p>	<p>The financial situation facing the Scottish Government and wider public sector is incredibly challenging and presents significant pressures to public finances in Scotland. The fiscal constraints of devolution mean that the Scottish Government cannot borrow to meet increased resource costs associated with the current financial situation. As such, the Scottish Government is using the options we do have at our disposal to achieve necessary savings and efficiencies.</p> <p>The Scottish Government is confident that considerable scope exists, both for savings in public bodies' operational costs during this Parliament, and for moderating financial pressures on public services in this Parliament and beyond through a modernised public service that has a focus on excellence in the services provided and is sustainable financially. From engagement with leaders of public bodies, we know many have identified opportunities for this, for instance through digitisation of services, redeployment of staff and consolidation of estates.</p>
		<p>We believe that the Christie Commission's pillars of prevention, partnership, people, and performance must be placed at the heart of the Scottish Government's reform programme to ensure that positive outcomes can be achieved. We therefore seek details from the Scottish Government on the action it is taking to embed the Christie Commission pillars within this process.</p>	<p>Our approach to reform follows the Christie principles: sustainable public services which improve outcomes, reduce inequalities and empower communities. Our Budget is founded on three cross-cutting priorities with Christie pillars of prevention, partnership, people and performance at their heart: eradicating child poverty; transforming the economy to deliver a just transition to Net Zero; and achieving sustainable public services.</p> <p>For example, our commitment to eradicate child poverty recognises the inter-dependencies between education and health, and child poverty. We are committed to continuing to work with our partners in COSLA, local government and the third sector to transform the delivery of Scotland's public services, with a focus on flexible holistic preventative person-centred support for families to thrive.</p> <p>We are also committed to taking action required to place our public finances on a more sustainable and resilient footing for the future. This includes by intensifying and accelerating our moves to create person-centred public services and ensuring the public bodies landscape best reflects Christie Commission principles.</p>

Para No.	Topic	Comment/Recommendation	Response
	Public service reform	<p>The Committee plans to examine the initial outcomes of the Scottish Government's public service reform programme to be published alongside the Scottish Budget 2023-24 later this year. We ask that the Scottish Government develops detailed and transparent proposals, clearly setting out priorities, funding, timescales and intended outcomes, as well as the potential impact on service delivery.</p> <p>The Committee asks the Scottish Government to confirm how it will work with the public sector to minimise the impact of reform and efficiency savings on the quality of public services and the delivery of national outcomes.</p>	<p>Officials are now engaging with public sector bodies, to initiate action which identifies opportunities to reduce both overhead costs, such as rationalisation of estates and of public bodies, and frontline delivery costs. Details of how this will operate will be developed in consultation with public bodies in the coming weeks. This programme will drive transformation both within and between public bodies through the Resource Spending Review period and potentially beyond.</p> <p>We will deploy a collective and collaborative approach across the public sector and public services to accelerate achieving greater efficiencies through an emphasis on partnership working, collaboration and person-centred approaches.</p> <p>The Resource Spending Review and Emergency Budget Review both reinforced the importance of prevention, partnership, people, place and performance. The Scottish Government has also focused efforts on building on the successful collaboration and partnership seen across the public sector during the pandemic through its Covid Recovery Strategy programme. The Deputy First Minister and COSLA President co-chair the Covid Recovery Strategy Programme Board which is responsible for ensuring progress towards the shared outcomes of the Strategy and the overarching ambition of reforming public services. The Board provides overall strategic direction, leadership and ambition for this programme and will support the continued embedding of Christie Commission principles across the public sector.</p>

	Public service reform	<p>We therefore welcome the Deputy First Minister's announcement that he will give consideration to launching a consultation process "on the various challenges that we face when it comes to tax and public expenditure ... to encourage public engagement on those important and difficult choices". We believe that a wider public discussion on these issues would be helpful and we look forward to playing our role as a parliamentary committee in this important debate, including considering in due course the outcomes of such a future Scottish Government consultation.</p>	Noted.
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Para No.	Topic	Comment/Recommendation	Response
137 - 140	Local Government finances	<p>The Committee recognises the ongoing challenges for local government finances, compounded this year by inflationary pressures. We also note the view that local authority core funding is shrinking due to the impact of 'ring-fencing' funds to deliver national priorities.</p> <p>We ask the Scottish Government whether councils might be given greater flexibility in the next Budget to respond to local priorities, fund local services and deliver national outcomes for their local communities. We also seek assurances from the Scottish Government that it will work in partnership with local authorities in 'co-designing' a joint approach to local delivery of new national priorities and any potential impacts on local frontline services. Greater engagement is also needed regarding decisions on how best to fund measures that contribute to achieving Net Zero targets across local and central government.</p>	<p>Despite the extremely challenging fiscal situation, the funding guaranteed to local government through the combination of General Revenue Grant and distributable Non-Domestic Rate Income has been increased or maintained in recent years. This has also been supplemented by additional funding transferred in-year to support enhanced pay deals and to fund predominantly joint priorities such as additional funding for Education and Social Care. The only formal ring-fenced funding takes the form of a small number of specific revenue and capital grants which are separately identified in the budget document and would include the significant additional funding for the expansion of early learning and childcare provision.</p> <p>At the same time, our Resource Spending Review was clear in making no assumptions about Council Tax for 2023-24, whilst the Joint Working Group, engaging the Scottish Green Party and COSLA, to consider sources of local government funding will initially focus on targeted changes to Council Tax that can be introduced from 2024, including allowing local authorities to increase the rate of Council Tax on second and empty homes, as well as others.</p> <p>We are currently negotiating a Fiscal Framework with Local Government which will be part of our New Deal for Local Government. The newly created Discretionary Power for Councils to establish a Workplace Parking Levy, as well as our commitment to introduce a Local Visitor Levy Bill in the current Parliamentary Session are part of this Fiscal Framework. Looking to the future, the Fiscal Framework for Local Government will also set out partnership working to explore new fiscal levers to raise revenue, as well as reviewing existing local taxes and levers in order to optimise all sources of local funding.</p>

	<p>The Committee invites the Scottish Government to respond to calls from a number of witnesses for additional local revenue-raising powers, to give greater flexibility for local authorities to build more sustainability into their finances and protect delivery of local services.</p>	
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