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19 December 2023

Dear Kenneth

## **2024-25 SCOTTISH BUDGET – PRE-BUDGET SCRUTINY REPORT**

Thank you to the Committee for its pre-Budget Scrutiny report on the 2024-25 Scottish Budget.

I appreciate the recognition of the extremely challenging fiscal conditions that Scotland is currently facing. The extraordinary circumstances we have had to endure over the past few years from the impact of Brexit, the war in Ukraine, sustained high inflation and the Covid pandemic have placed enormous strain on public finances.

The Scottish Government is committed to delivering a 2024-25 Scottish Budget which delivers for the people of Scotland. This has required difficult choices and decisions, and our priority is to deliver on this Government's three key missions of Equality, Opportunity and Community as outlined by the First Minister in the Policy Prospectus.

I have considered the points raised by the Committee and offer the Government's response in the attached documents, with the public service reform points being considered within the first biannual public service reform progress report.

I look forward to engaging with the Parliament on the 2024-25 Scottish Budget and meeting with the Finance and Public Administration Committee on 16 January 2024.

**SHONA ROBISON**

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See [www.lobbying.scot](http://www.lobbying.scot)

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ANNEX - 2024-25 Scottish Budget - Scottish Government response to the Finance and Public Administration Committee Pre-Budget Scrutiny Report

TOPIC	PARAGRAPH	RECOMMENDATION	SCOTTISH GOVERNMENT RESPONSE
Fiscal Sustainability - Context	21	The Committee notes that an earlier publication date is impractical. Nevertheless, enough time must be allocated to enable the Finance and Public Administration Committee to undertake effective parliamentary scrutiny.	The Scottish Government will continue to engage with the Finance and Public Administration Committee in determining the budget timetable for future years and considers that a compromise was reached in relation to this year's budget to ensure appropriate time was provided for effective parliamentary scrutiny. The budget timetable must also ensure that sufficient time is available to manage the development of an increasingly complex Scottish Budget.
National Outcomes	36.	The Committee looks forward to leading the Scottish Parliament's scrutiny of the proposals for revised National outcomes. We also welcome the commitment in the Scottish Government's Programme for Government 2023-24 "to continually improve the way the NPF is used, across government and more widely"	The Scottish Government welcomes the Committee's role in this scrutiny and remains committed to continually improving the way the NPF is used across Government and more widely.
	37	With this in mind, the Committee asks the Scottish Government to provide an update on progress towards "developing an approach centred around multi-year programmes, the associated outcomes and the annual spend profiles attached", including an overall timetable for completion of this work.	As indicated last year, this approach is embedded across Scottish Government activity rather than being addressed as a single workstream. As such, Scottish Ministers expect all programmes in the Scottish Government to: <ul style="list-style-type: none"> <li>• Have clear objectives linked to the delivery and achievement of outcomes.</li> <li>• Deliver value for money.</li> <li>• Have closely tracked spend and regular reporting.</li> </ul> <p>In the course of 2023, a number of developments have focused on refining Scottish Government outcomes alongside delivering improvements to information available for multi-year financial planning.</p>

ANNEX - 2024-25 Scottish Budget - Scottish Government response to the Finance and Public Administration Committee Pre-Budget Scrutiny Report

			<p>The “Equality, Opportunity, Community: New leadership - A fresh start” publication in April 2023 set out the First Minister’s vision for Scotland and the outcomes the Scottish Government’s aim to achieve by 2026. The 2024-25 Scottish Budget is focused on delivering the three missions underpinning this vision:</p> <ul style="list-style-type: none"><li>• Community - Delivering efficient and effective public services.</li><li>• Equality - Tackling poverty and protecting people from harm.</li><li>• Opportunity - Building a fair, green and growing economy.</li></ul> <p>In May, the 2023 Medium-Term Financial Strategy was published. This updated the spending envelopes published in the 2022 Resource Spending Review and taking account of the economic volatility since the RSR, provided 5-year forecasts for both funding and spending. This publication sits alongside our annual budget publications to provide a greater level of detail on anticipated and actual funding and spending trends.</p>
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ANNEX - 2024-25 Scottish Budget - Scottish Government response to the Finance and Public Administration Committee Pre-Budget Scrutiny Report

TOPIC	PARAGRAPH	RECOMMENDATION	SCOTTISH GOVERNMENT RESPONSE
Fiscal Transparency and Accountability	44.	The Committee welcomes the Deputy First Minister’s commitment to put in place some of our proposals to enhance transparency in budgetary information and to give further consideration to others. We look forward to continued engagement with her on these matters. We also restate our position that the Scottish Government should adopt a similar approach to that of the UK Government and Scottish Fiscal Commission in comparing new plans for spending with estimates or outturns from the previous year.	<p>The Scottish Government remains committed to improving transparency. The change to comparator request is noted. As discussed previously with the Committee, the proposed approach presents some difficulty - routine in-year transfers of funding (for example between Health and Local Government, and between Education and Local Government) will present as a significant variance in the funding allocation. This could be interpreted by the reader as a change in base funding for an individual portfolio area rather than merely reflecting the fact that these routine transfers have not yet been reflected in the future years budget. For that reason, the comparator in the main body of the Budget document will not be changed.</p> <p>Building on the commitment to transparency, the Scottish Government recognises the need to provide this information and will set out the requested detail in an additional on-line publication in January 2024.</p>
	45	The Committee seeks further detail on the expected timetable for producing whole of government accounts, which was committed to back in 2018, and which we consider will help to bring greater transparency to annual public spending in its entirety.	<p>The Scottish Government remains committed to improving the transparency of its financial information. It has delivered improvements within its annual accounts and related reports (such as the annual Final Outturn report to Parliament) and in budget documents and related information and will continue to respond positively to suggested changes where it can do so.</p> <p>The priority is the production and audit of the annual statutory accounts (the 2022-23 accounts laid and published on 16 November 2023). There has been work on additional reporting, but this continues to be significantly constrained in terms of the timely availability of information to support the production of information which has not already been overtaken by the subsequent financial year.</p> <p>The Scottish Government is currently reviewing information, processes and options for additional reporting outputs, and will work collaboratively with Audit Scotland to ensure additional information is provided in a form and at a time that is useful (for Parliament and the public) without placing additional burdens on stretched public bodies.</p>

ANNEX - 2024-25 Scottish Budget - Scottish Government response to the Finance and Public Administration Committee Pre-Budget Scrutiny Report

TOPIC	PARAGRAPH	RECOMMENDATION	SCOTTISH GOVERNMENT RESPONSE
Fiscal Transparency and Accountability  <i>(continued)</i>	46	The Committee welcomes the introduction of mandate letters setting out the outcomes that Cabinet Secretaries are expected to achieve in the months and years ahead. We believe that this approach could help ensure greater accountability of government decisions and actions, but only if there is transparency around the level of progress being made. The Committee therefore asks the First Minister to ensure that Cabinet Secretaries report regularly to Parliament on progress and we seek clarity on how he will hold Cabinet Secretaries to account if outcomes are not achieved. We further seek details of how the mandate outcomes relate to the National Outcomes in the National Performance Framework.	<p>The mandate letters set out the actions necessary for Cabinet Secretaries to continue to progress towards longer-term outcomes set out in the policy prospectus. The First Minister and I have both confirmed that the Scottish Government will report routinely, regularly and transparently on our performance against the aims and outcomes set out in the policy prospectus. This includes the provision of an annual update on our delivery against the three missions which were set out in the policy prospectus and reaffirmed in the mandate letters.</p> <p>Ministers will continue to provide updates on delivery as part of their ongoing engagement with the Scottish Parliament on progress in their portfolios, including any information which would be helpful for parliamentary committees to consider.</p> <p>The First Minister outlined in his letters to Cabinet Secretaries that they should continue to contribute towards the shared priorities outlined in the National Outcomes. The National Outcomes, the three missions, and the content of the mandate letters are interrelated, and all aim to increase the wellbeing of the people of Scotland.</p>

ANNEX - 2024-25 Scottish Budget - Scottish Government response to the Finance and Public Administration Committee Pre-Budget Scrutiny Report

TOPIC	PARAGRAPH	RECOMMENDATION	SCOTTISH GOVERNMENT RESPONSE
Fiscal Framework Review	53	The Committee welcomes the modest but permanent gains in fiscal flexibility achieved through the Review. Nevertheless, the lack of transparency in the process was disappointing, particularly given our calls for a more open approach than that taken with the original Fiscal Framework agreement in 2016.	<p>The Scottish Government's preference was for a broadly scoped review involving stakeholder input. Ultimately, that was not possible at this time. The choice was whether to proceed with a narrower process, or risk foregoing the opportunity to make improvements to the framework.</p> <p>The Scottish Government was careful to draw on input from Parliamentary Committees and other stakeholders in the period leading up to the Fiscal Framework Review and use that information to inform the Scottish Government's approach to negotiations.</p> <p>The Committee's evidence to the Independent Report noted that the borrowing and reserve limits agreed in 2016 were insufficient. Similarly, the joint report produced by the Session 5 Finance and Constitution and Social Security Committees proposed protecting limits in real terms. Both points were reflected in the Scottish Government's approach to the review and delivered in the revised agreement.</p>
	54	The Committee looks forward to exploring in greater detail the updated Fiscal Framework with the Deputy First Minister in November, informed by evidence from experts.	The Scottish Government thanks the Committee for the welcome opportunity to discuss the outcome of the Fiscal Framework Review and for its clear steer on VAT Assignment.
A Strategic approach to taxation	67	The Committee welcomes the establishment of the Scottish Government's advisory group on taxation as a step towards the creation of a clear strategy for taxation in Scotland. Given the complexity of the current tax system, as well as the scale of the financial challenges ahead, it is imperative that this work progresses at pace.	<p>The Tax Advisory Group (TAG) will support the development of our strategic approach to tax which will be published alongside our Medium-Term Financial Strategy in 2024. This will focus on building on the principles and objectives that underpin the Scottish Approach to Taxation, which were set out in our Framework for Tax in 2021. We will also further develop our evidence and evaluation of the tax system in a more systematic and regular way and consider the future direction for tax policy in Scotland.</p> <p>The TAG is on track to meet three times in 2023, since its establishment in the summer. From 2024, it is intended to meet quarterly, aligned with key pieces of work.</p>

ANNEX - 2024-25 Scottish Budget - Scottish Government response to the Finance and Public Administration Committee Pre-Budget Scrutiny Report

TOPIC	PARAGRAPH	RECOMMENDATION	SCOTTISH GOVERNMENT RESPONSE
<p>A Strategic approach to taxation</p> <p><i>(continued)</i></p>	<p>68</p>	<p>In the meantime, every effort should be made to resolve current anomalies with the UK and Scottish tax systems relating to national insurance and personal allowance. We ask that the UK and Scottish Governments seek to mitigate any future anomalies through engagement on future tax policy where appropriate.</p>	<p>The Scottish Government carefully considers the impact of anomalies between the UK and Scottish tax systems when determining future tax policy.</p> <p>Partial devolution of Income Tax powers only give the Scottish Government the powers to change rates and bands. The application of National Insurance Contribution (NICs) in Scotland remains entirely reserved to the UK Government. The lack of fully devolved tax powers exacerbates the inefficiencies between the Scottish and UK tax systems and illustrates the limitations of the current Fiscal Framework.</p> <p>We continually call on the UK Government to consider the different tax systems in place across the UK when setting National Insurance policy but so far, they have been unwilling to engage on this matter.</p> <p>The Scottish Government's position remains that all decisions on tax that affect the people of Scotland should be made by the Scottish Parliament. Further devolution would allow us to set policy in a way that addresses these anomalies to increase the overall efficiency of the tax system.</p>
	<p>69</p>	<p>We recognise that any new forms of taxation will not be in place in time to generate new revenue in the financial year 2024-25. We recommend that the Scottish Government's new strategy for taxation in Scotland sets out a framework for decision-making around the introduction of new taxes.</p>	<p>The Scottish Government's Framework for Tax, published in December 2021, sets out a decision-making matrix which is used to guide the consideration of new tax proposals. It supports a methodical and consistent approach to appraisal, identifying any tensions and conflicts to assess the relative merits of new tax proposals.</p> <p>We intend to publish an updated tax strategy alongside the 2024 Medium Term Financial Strategy. This will build on the principles and objectives set out in the Framework for Tax and consider the future direction of tax policy in Scotland.</p> <p>We remain committed to delivering a new fiscal framework for local government in Scotland. We have convened the Joint Working Group on Sources of Local Government Funding which will consider other potential revenue raising levers, facilitating new opportunities for greater local fiscal empowerment and embodying the Verity House Agreement.</p>

ANNEX - 2024-25 Scottish Budget - Scottish Government response to the Finance and Public Administration Committee Pre-Budget Scrutiny Report

TOPIC	PARAGRAPH	RECOMMENDATION	SCOTTISH GOVERNMENT RESPONSE
<p>A Strategic approach to taxation</p> <p><i>(continued)</i></p>	<p>70</p>	<p>The Committee requests further details of the announcement made at the SNP’s recent party conference that council tax will be frozen up until April 2025. In particular, we seek information on how this spending announcement will be funded. Like many others, we believe that a more fundamental reform of council tax is now overdue.</p>	<p>The First Minister announced a Council Tax Freeze for 2024-25 at the SNP Party Conference on 17 October 2023. With household bills rising, this freeze will give some certainty to households for next year. Although inflation is slowly falling, the damage caused by the UK Government’s economic agenda of austerity and Brexit have hurt everyone, but particularly our most vulnerable households. The Council Tax freeze will benefit Council Taxpayers across Scotland, in over 2.5 million homes.</p> <p>The announcement of a freeze recognises the regressive impact of Council Tax and underlines the importance of reform.</p> <p>The Scottish Government will fully fund this freeze to ensure that local government can continue providing the services on which we all rely. This is on top of the real terms increase provided to local government revenue funding in 2023-24.</p> <p>We are working with COSLA on implementation and will continue to do so.</p>
	<p>71</p>	<p>The Committee notes the delay in publishing the fiscal framework between the Scottish Government and local government and that it will now not be ready before the Scottish Budget 2024-25 is published in December. We ask how the Budget will reflect the principles set out in the VHA.</p>	<p>The negotiations over the Fiscal Framework with local government have acknowledged the complexity of the funding arrangements and both spheres of government agree on the need to ensure that the Framework is robust and effective.</p> <p>Good progress has been made on a draft framework with improved evidence-based pre-budget discussions taking place since the summer alongside joint work to consider new local taxes and reform of existing local taxes.</p> <p>Joint exploration of the options and impacts of a <i>rules-based approach</i> to setting the budget for local government is ongoing. Given the quantum of money involved, both parties agree it is important to take the required time to ensure the right outcome.</p>



ANNEX - 2024-25 Scottish Budget - Scottish Government response to the Finance and Public Administration Committee Pre-Budget Scrutiny Report

			<p>The core priorities set out in the Verity House Agreement and the Scottish Budget are very much aligned around tackling poverty; transforming our economy through a just transition to deliver net zero; and delivering sustainable person-centred public services.</p> <p>The Verity House Agreement sets out a more collaborative approach to delivering our shared priorities and will require culture change across both spheres of government and public services more generally. As with any culture change, it has always been acknowledged that the signing of the Verity House Agreement marked the start of a journey.</p> <p>The first six months have resulted in a number of successes, notably the earlier evidenced-based budget engagement, but there have also been areas where delivery has been more challenging.</p>
	72	<p>We also seek clarification from the Scottish Government on how the VHA principle of “no ring-fencing or direction of funding” unless jointly agreed will impact on transparency and Parliamentary scrutiny of those national priorities being delivered by local government.</p>	<p>Full implementation of the Verity House Agreement will require the development and delivery of a shared programme, outcomes, accountability and assurance framework. This framework will look to clarify the respective responsibilities of national and local government for the delivery of national priorities.</p>

ANNEX - 2024-25 Scottish Budget - Scottish Government response to the Finance and Public Administration Committee Pre-Budget Scrutiny Report

TOPIC	PARAGRAPH	RECOMMENDATION	SCOTTISH GOVERNMENT RESPONSE
Specific Income Tax Proposals	81	<p>The Committee asks the Scottish Government to confirm how it is considering potential behavioural impacts as part of its decisions on taxation policy in 2024-25 and as part of its new strategy for tax in Scotland to be published in May 2024. We also request an update on its work with HMRC on developing “new, and robust, data sources and evidence to help better understand potential behavioural responses, including taxpayer movements across the UK over time”.</p>	<p>It is vital that our tax policies are grounded in evidence and carefully balance the need to raise tax revenue with the impacts on taxpayers and the economy to support the fiscal sustainability of the Scottish Budget. Our strategic approach to tax publication will build on the core tax principles published in the Framework for Tax in 2021, as well as setting out how we will further develop our evidence and evaluation of the tax system to support sound tax policymaking.</p> <p>Analysis and evaluation of taxpayer behaviour is a core part of our tax policy decisions.</p> <p>The Scottish Government actively works with stakeholders, such as HMRC, and subject matter experts, on Income Tax, to monitor and continually improve the evidence base to help inform policy development and evaluation, in line with best practice.</p> <p>For example, in line with our Framework for Tax, and to further transparency and public debate, the Scottish Government published an evaluation of the Scottish Government’s 2018-19 Income Tax reforms which showed limited evidence of Scottish taxpayers lowering their taxable income in response to increasing tax rates - <a href="https://www.gov.scot/publications/evaluation-2018-19-income-tax-reforms/pages/10.aspx">Scottish Income Tax: 2018-19 policy evaluation - gov.scot (www.gov.scot)</a>.</p> <p>Building on this, over the last year the Scottish Government has worked with HMRC to develop new, and robust, data sources and evidence to help better understand potential behavioural responses, including taxpayer movements across the UK over time.</p> <p>Interim provisional results of this research have been shared with Ministers to support policy decisions at Budget 2024-25. We are now looking to finalise this analysis and make it publicly available in the new year.</p>

ANNEX - 2024-25 Scottish Budget - Scottish Government response to the Finance and Public Administration Committee Pre-Budget Scrutiny Report

TOPIC	PARAGRAPH	RECOMMENDATION	SCOTTISH GOVERNMENT RESPONSE
Developing the workforce and stimulating economic growth	90	The Committee has consistently recommended that more action is needed to increase productivity, wage growth and labour market participation in Scotland and notes the Scottish Government's response pointing to its National Strategy for Economic Transformation (NSET) as key to addressing these issues.	<p>The NSET contains a range of bold and ambitious actions which will deliver fairer, greener prosperity for Scotland, making our economy more sustainable and resilient in the longer term.</p> <p>The policy prospectus set out by the First Minister in April 2023 reaffirmed our commitment to delivering the NSET, with a sharp focus on those policies and actions with the greatest potential to grow and change Scotland's economy, expand the tax base to fund excellent public services and make people's lives better</p>
	91	We ask what progress has been made in delivering actions in the NSET that will help increase productivity, wage growth and labour market participation. We also request details of how the Scottish Government is ensuring 'buy-in' from the public sector to help deliver the ambitions in the NSET	<p>We have made significant progress since NSET's publication in spring 2022, such as the roll out of our national Techscaler network to support start-ups and boost entrepreneurship in Scotland, green hydrogen funding, 25,000+ houses connected through the R100 Scottish broadband programme and the introduction of Fair Work conditionality.</p> <p>The NSET Annual Progress Report published in June 2023 also set out a fresh focus on the new actions we will progress to deliver a growing economy that increases wellbeing, including the New Deal for Business Group which will deepen the public sector links with business and work towards creating the best environment for business to succeed.</p>
	92	The Committee seeks information from the Scottish Government on the steps it is taking to ensure that Scotland can retain the graduates it educates. We also request further details of the criteria for, and outcomes expected from, the £15 million entrepreneurship fund announced in the recent Programme for Government, and	<p>Talent attraction and retention also forms a key strand of our ambitions to establish Scotland as a rapidly growing start-up economy. To that end we have showcased Scottish companies in leading entrepreneurial ecosystems around the world including Silicon Valley, New York, Helsinki, Lisbon and COP28. These visits have been successful at increasing interest in Scotland from investors and entrepreneurs.</p> <p>In addition the, 2024-25 Scottish Budget provides scope to expand the Techscaler network, delivering world class incubation and commercial education to Scottish start-ups.</p>

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		<p>ask what plans are in place to help broaden Scotland's tax base.</p>	<p>We will also make early progress on the implementation of key aspects of the innovation strategy and Ana Stewart's recommendations aimed at increasing the number of women starting and scaling businesses. This work is fundamental to the Scottish Government's ambitions to re-establish Scotland as a top performing start-up nation. More detailed plans will be announced in due course.</p> <p>The Scottish Government is committed to taking action to ensure we deliver the growth and the tax revenues necessary to achieve fiscal sustainability and to deliver high quality public services. Recent evidence suggests that Income Tax performance has improved, with growth in Real Time Information tax receipts outperforming the rest of the UK in 2022-23. In May, the SFC forecast that Scottish earnings would go through a sustained period of catch-up relative to the rest of the UK over the next five years.</p>
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TOPIC	PARAGRAPH	RECOMMENDATION	SCOTTISH GOVERNMENT RESPONSE
<p>Developing the workforce and stimulating economic growth <i>(continued)</i></p>	<p>105</p>	<p>In January this year, the Committee reported that we were not convinced that the Scottish Government was carrying out enough strategic long-term financial planning to ensure fiscal sustainability and that it appeared to be “firefighting on a number of fronts”. We have little evidence to suggest a shift away from a short-term approach to financial planning.</p>	<p>The Scottish Government welcomes the publication of the SFC’s report on fiscal sustainability. The challenges set out by the report are not unique to Scotland, yet Scotland lacks a full range of levers to deal with these in the way that other countries can, in particular migration. As we noted in our response to the report, the Scottish Government’s funding settlement is largely dependent on the UK Government and their spending decisions. Annual financial settlements will continue to curtail the Scottish Government’s ability to undertake long-term planning.</p> <p>Despite these constraints, the Scottish Government is committed to managing the public finances robustly now and in the future. The Medium-Term Financial Strategy (MTFS), published in May 2023, sets out the key risks and challenges to the public finances, including those in the longer-term, and this Government’s approach to managing these. The Scottish Government’s strategy focuses on three pillars where action is required: prioritising spending behind the Government’s three missions; growing the Scottish economy; and taking a strategic approach to tax. We will continue to develop and evolve our approach to take account of the range of challenges and risks to the public finances ahead.</p>
	<p>106</p>	<p>The Committee therefore strongly recommends that the Scottish Government produces a full response to the SFC’s Fiscal Sustainability Report setting out the actions it will take to start addressing the longer-term challenges ahead. We also suggest that the Scottish Government holds a debate in Parliament on the long-term sustainability of Scotland’s finances.</p>	<p>The Scottish Government continues to support a debate in Parliament on the long-term sustainability of Scotland’s finances as confirmed by the Deputy First Minister in her appearance at the Finance and Public Administration Committee on 3 October 2023.</p>

ANNEX - 2024-25 Scottish Budget - Scottish Government response to the Finance and Public Administration Committee Pre-Budget Scrutiny Report

TOPIC	PARAGRAPH	RECOMMENDATION	SCOTTISH GOVERNMENT RESPONSE
<p>Developing the workforce and stimulating economic growth</p> <p><i>(continued)</i></p>	<p>107</p>	<p>We note the statement in the Scottish Government’s May 2023 MTFS that “tough and decisive action must be taken to ensure the sustainability of public finances and that future budgets can be balanced”. However, we are concerned that affordability does not appear to be a key factor in Scottish Government decision-making. We ask that detail of spending announcements is in future provided to Parliament.</p>	<p>The Scottish Government published multi-year spending envelopes in May 2022 in the Resource Spending Review and the updated Capital Spending Review. Medium term fiscal planning is essential to managing our public finances sustainably and to maximise public value from our resource and capital budgets. The Scottish Government provides an annual assessment of the multi-year affordability of our spending plans in the Medium-Term Financial Strategy (MTFS).</p> <p>The Scottish Budget sets out the Scottish Government’s detailed spending plans for the year ahead and we continue to develop the information on spending commitments contained within the budget documents to enhance transparency and opportunities for scrutiny.</p> <p>The disappointing settlement at the Autumn Statement delivered a real terms reduction to our block grant. We are prioritising our spending towards our core missions and making difficult choices to ensure our finances remain on a sustainable trajectory. It is important that we work through the impacts of these choices and the impact of our ongoing public services reform programme, before publishing multi-year budget allocations.</p>
	<p>108</p>	<p>We recommend that the Scottish Government explicitly sets out in the Scottish Budget 2024-25 if there are any areas of spending it has assessed as not meeting its three missions test and where funding will, as a result, be reduced or ceased entirely</p>	<p>Focusing the Scottish Budget on the critical missions will facilitate alignment across the Scottish Government’s key strategic products, with the First Minister’s Policy Prospectus, MTFS, and the Programme for Government. This will help to ensure resources are directed towards both our statutory and legal commitments, as well as the interventions that can have the greatest impact on the achievement of these missions. The published portfolio allocations will reflect where investment has been sustained and prioritised</p>

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TOPIC	PARAGRAPH	RECOMMENDATION	SCOTTISH GOVERNMENT RESPONSE
Capital Budget	115	The Committee is disappointed that the capital funding available to the Scottish Government continues to reduce and that, by 2028-29, it is expected to be 16% smaller in real terms than in the current financial year. This is particularly concerning during times of financial strain when governments should be investing in infrastructure to stimulate economic growth.	<p>The Scottish Government shares the committee's concern and has <u>repeatedly</u> raised this issue with the UK Government.</p> <p>My letter to the Chancellor of the Exchequer on 20 November 2023, ahead of the UK Autumn Statement, expressed concern on this particular issue. - <a href="#">UK Autumn Statement 2023: letter to the UK Government - gov.scot (www.gov.scot)</a></p>
	116	The Committee asks whether the Scottish Government's approach to using its borrowing and reserve powers will be updated in light of the recent changes to the Fiscal Framework.	The Scottish Government will include an update on its approach to borrowing as part of the 2024-25 Scottish Budget.
	117	We request that the multi-year envelopes for capital and resource spending to be published alongside the Scottish Budget 2024-25 contain a sufficient level of detail to enable meaningful parliamentary scrutiny and to allow public bodies to plan ahead. We look forward to examining this information along with the updated Infrastructure Investment Plan when published this December.	<p>The 2024-25 Scottish Budget will publish resource and capital budgets for 2024-25. The disappointing settlement at the Autumn Statement delivered a real terms reduction to our block grant. We are prioritising our spending towards our core missions and making difficult choices to ensure our finances remain on a sustainable trajectory. It is important that we work through the impacts of these choices and the impact of our ongoing public services reform programme, before publishing multi-year budget allocations. Given the deteriorating capital outlook over the medium term, as established by the Office for Budget Responsibility's forecasts following the UK Autumn Statement, we are not yet in a position to publish these allocations.</p> <p>A multi-year proposition will be developed for the Medium-Term Financial Strategy, scheduled for publication in May 2024.</p>

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Public Service Reform	135 – 188	<p>Points raised on:</p> <ul style="list-style-type: none"> <li>• Focus, detail, direction and strategic purpose of the public service reform programme.</li> <li>• The first PSR progress report.</li> <li>• Evaluation and scrutiny.</li> <li>• Incentivising public bodies and testing reform proposals.</li> <li>• Opportunities through corporate reporting.</li> <li>• Preventative measures and spend.</li> <li>• Public bodies.</li> <li>• Sharing services and transparency.</li> <li>• Public sector estate.</li> </ul>	<p>The Committee’s interest in the Scottish Government’s public service reform (PSR) programme is noted.</p> <p>The Committee will be aware that I wrote to it in May 2023 agreeing that the Scottish Government would provide a progress update on a programme of reform every 6 months. This commitment keeps pace with the rhythm of the annual budget cycle and the first update is due alongside the 2024-25 Scottish Budget in December 2023, with a further update in 2024 alongside the Medium-Term Financial Strategy (MTFS).</p> <p>I am pleased to share with the Committee the first public service reform progress update, alongside this response document. The suite of Committee recommendations (135-188) regarding public service reform are addressed in that update.</p>



ANNEX - 2024-25 Scottish Budget - Scottish Government response to the Finance and Public Administration Committee Pre-Budget Scrutiny Report

TOPIC	PARAGRAPH	RECOMMENDATION	SCOTTISH GOVERNMENT RESPONSE
Headcount and workforce levels	196	The Committee is concerned that some confusion still appears to exist in relation to the Scottish Government’s policy on public sector headcount and workforce levels, including within the civil service at the highest level.	<p>The Resource Spending Review published in 2022 included commitments to hold the total public sector pay bill (excluding Local Government) at around 2022-23 levels whilst returning the overall size of the public sector (excluding Local Government) broadly to pre-COVID-19 levels. The overall aim was to ensure sustainable public bodies.</p> <p>Following further analysis and engagement, our proposal on how we achieve sustainable public bodies evolved and in the 2023-24 Budget, we set out that it is for individual public bodies to locally determine the target operating model for their workforces and to ensure workforce plans and projections are affordable in 2023-24 and in the medium term. This approach recognises the accountability of public bodies to deliver efficiently and effectively within their budget and that budget allocations reflect our priorities.</p> <p>Our Public Sector Pay Strategy for 2023-24 published on 22 March 2023, recognises that pay and workforce must be explicitly linked to fiscal sustainability and to reform, to secure the delivery of effective public services over the medium term.</p> <p>Further information on our approach to public sector pay and workforce for 2024-25 is included in the Budget documentation.</p>

ANNEX - 2024-25 Scottish Budget - Scottish Government response to the Finance and Public Administration Committee Pre-Budget Scrutiny Report

TOPIC	PARAGRAPH	RECOMMENDATION	SCOTTISH GOVERNMENT RESPONSE
Headcount and workforce levels  <i>(continued)</i>	197	We accept that the Scottish Government's updated policy enabling public bodies to set their own workforce operating models within their own budgets provides greater local flexibility than a blanket headcount reduction.	Noted.
	198	The Committee seeks further details of how the Scottish Government will ensure that management of workforce levels within such constrained spending envelopes does not negatively impact on the delivery of public services.	<p>Public bodies are best placed to assess both the opportunities and action that must be taken to ensure fiscal sustainability within their budgetary allocations. They are responsible for ensuring they have the right size of workforce, with workforce plans that are affordable now and in the medium term to deliver what is needed, prioritising the efficient and effective delivery of public services.</p> <p>Public Bodies should consider the size and shape of the workforce to ensure affordability, alongside opportunities around digital reform, revenue generation, estates rationalisation and improved procurement. In some cases, pay awards may require public bodies to reform their operating models to remain within budget allocations and ensure fiscal sustainability. Given the Scottish Government's Public Sector Pay Strategy sets out support for no compulsory redundancy, where a reduction in workforce is required, it is expected to be achieved through other means.</p>

ANNEX - 2024-25 Scottish Budget - Scottish Government response to the Finance and Public Administration Committee Pre-Budget Scrutiny Report

TOPIC	PARAGRAPH	RECOMMENDATION	SCOTTISH GOVERNMENT RESPONSE
Lessons from the pandemic	203	The Committee asks the Scottish Government how lessons learned from the approaches taken during the Covid-19 pandemic are being built into its public service reform programme and how it will create the culture and impetus in which these dynamic approaches can be adopted.	In November 2023 the Covid-19 Learning and Evaluation Oversight Group published a <a href="#">report</a> drawing together key messages from analysis of evaluations of interventions introduced in response to Covid-19. The report identified important learning in relation to themes such as trust, data, collaboration, risk and accountability. The report, building on a series of workshops with senior leaders, also identified a number of opportunities to embed change. The messages within the report strongly align with, and support, work that is being progressed as part of Public Service Reform.

# Public Service Reform – Progress Update to FPAC

## Introduction

1. The Deputy First Minister wrote to the Committee in May 2023 agreeing that the Scottish Government would provide a report updating progress on a programme of reform every 6 months alongside the budget and the medium-term financial strategy.
2. In its report of November 2023, the Committee's made a number of points regarding the Scottish Government's approach to reform. These points are addressed in this first progress update. For ease of reference, recommendations have been clustered and cross referenced with the relevant pages and paragraph numbers of the update report (see Annex C).

## Background

3. The position on Scotland's finances is set out in the Scottish Budget 2024-25. In a global context, Scotland continues to work in a turbulent economic and fiscal operating environment due to the ongoing impacts of inflation, the war in Ukraine, the aftereffects of the pandemic and the recent budgetary decisions of the UK Government.
4. Despite these challenges, we are determined that our approach to public services remains values-based and prioritises delivering our three missions – equality, opportunity and community; is reform focussed to ensure our public services are as effective and efficient as they can be; and targeted, to ensure our public services prioritise the needs of those who need support the most.
5. If public services are to remain sustainable, reform is both necessary and inevitable, as the 2022 Resource Spending Review (RSR) made clear. The Scottish Fiscal Commission have reinforced the long term nature of the fiscal challenge. Continuing as we are is not an option.
6. The financial situation is among the most challenging since devolution and the Scottish public finances face considerable challenge. To be clear, responsibility for this challenge lies with the UK Government, through Brexit, the calamitous mini-budget and failing to invest in public services. We have chosen to support public sector workers through increased pay awards, our investment in health and social care, and ensuring those who need it most are supported via our social security system.
7. We have made these decisions in response to an economic environment which is affecting people across the UK, but have not seen the UK Government similarly adapt its approach to public finances and deploy the full range of powers available to them to make a real difference to people's lives.
8. Many of the areas for action set out in the Resource Spending Review (RSR) remain part of our wider programme of activity across the Scottish Government. However, we know we need to do more. We updated and refreshed our position with the publication of the Policy Prospectus and the Medium Term Financial

Strategy (MTFS). In those documents, we committed to focusing spending decisions on achieving the three missions and prioritising programmes which have the greatest impact on delivery.

9. In the Policy Prospectus, we emphasised our renewed commitment to a 10-year programme of reform:
  - **To ensure public services remain fiscally sustainable**, by reducing the costs and reducing long-term demand through investment in prevention.
  - **To improve outcomes**, which will improve lives and reduce demand.
  - **To reduce inequalities of outcome** among communities in Scotland, recognising the need not just for improved outcomes, but a focus in policy and delivery on those most disadvantaged.
10. The scale of the budget challenge in 2024/25, 2025/26 means we must deliver efficiencies and make more effective use of resources to deliver services and improve outcomes. But the fiscal sustainability challenge will continue over the next 10 to 50 years, and requires strategic change to reduce demand, reduce costs, and improve outcomes. In this update, we set out our key aims and principles for a 10-year programme of public service reform, and the actions we need to take in the next 1-2 years to respond to our immediate budget challenges, and to build the platform for ongoing change.
11. We have established four key workstreams within the Scottish Government to deliver this which are summarised below. More detailed updates under each of the workstream headings are set out at Annex B.
  - **Convening:** Agreeing a common vision across the public sectors for achieving sustainable public services and establishing the infrastructure that enables us to collectively make progress.
  - **Saving:** Identifying where the Scottish Government and public bodies can deliver clear and quantifiable, cashable savings, setting out clear targets for cost reduction/cost avoidance through achieving efficiencies and which support the longer-term approach to reformed services.
  - **Enabling:** Creating the conditions for systemic reform, removing barriers to change and establishing ways that the public can see, understand, and influence the changes. This includes the key efficiency levers outlined in the RSR
  - **Aligning:** Driving policy coherence and consistency across significant policy led reforms that will shape the future service landscape.

### **Our approach to changing services**

12. We must create a clear sense of a shared and common purpose around achieving public value in everything we do. This is a collective programme of work, delivering the best possible outcomes for Scotland's people and places, working across organisational 'silos' and making best use of our shared resources.
13. Our intention is to work across, and with, public services to: consider and agree together what good reform would look like; provide a clear rationale, focus and

strategic purpose for reform; and agree the Scottish Government's role in terms of leadership and creating the environment for public services to work differently where necessary. This approach is summarised at Annex A, along with our proposition for the key characteristics of a future reformed system.

### **Our key actions**

14. There are some key actions we will take in the next three months to progress both our short- and long-term goals. We will:
15. **Agree a shared approach**, working with colleagues in local government and with the wider public and third sector to align, enable and deliver.
16. **Require all Scottish Government portfolios to lay out their savings and reform plans** by the end of the financial year, in line with the principles in this document and **set out clear savings targets to public bodies**, noting that there are bodies and core services (such as the NHS, Police and Fire, Social Security Scotland, Colleges and some very small bodies), which will require specific approaches based on their existing reform plans and service pressures.
17. Chief Executives, Boards, and Portfolio Accountable Officers will be accountable for delivering these savings and empowered to do so. Bodies will be expected to work across boundaries to deliver. We will support bodies to deliver against these targets by:
  - Establishing a joint benchmarking project on public bodies with the UK government cabinet office, to provide consistent data to inform decision making and an evidence base for change.
  - Continuing to work with bodies to apply the key efficiency levers in the RSR.
  - Taking all opportunities to increase the efficiency with which bodies deliver their functions.
  - Strategically considering where investment and disinvestment must be made to support the longer term approach to reformed services.
  - Working with bodies in thematic clusters to identify opportunities for efficiency and alignment.
  - Supporting bodies to take a proactive approach to revenue raising.
  - Establishing an enabling environment for workforce reform, including support for voluntary severance.
18. Portfolios and Public Bodies will be asked to follow a cascade of options in delivering savings:
  - Taking all opportunities to increase the efficiency with which they deliver their functions.
  - Taking all opportunities to offer services in different ways.
  - Considering reclassification/alignment/merger of bodies or function.
  - Reducing service only where these options are exhausted.

### **Pay and workforce**

19. It has been necessary for our public sector to grow to respond effectively to the Brexit crisis, the conflict in Ukraine, new powers in Social Security and the ongoing response to the COVID-19 pandemic. We have supported pay deals for public sector workers that reflects both the vital jobs that they do and addresses

increases in the cost of living. In 2023-24 we reallocated around £800 million more than originally budgeted to enhance pay uplifts.

20. These additional pressures on public finances have been exacerbated by the UK Government's latest austerity budget, with expenditure on public sector pay increases in the past two years now greater than the growth in our resource Block Grant funding. As a result of the ongoing fiscal challenges and uncertainty over UK Government funding and inflation levels the next phase of this work will focus on working with our Trade Union partners to deliver reforms to put our public sector workforce on a sustainable footing. We intend to set out the pay metrics for 2024-25 following the Spring UK Budget.
21. We value our public service workers and we value our public services, but to remain sustainable, we must reform the way in which public bodies deliver services to ensure they can deliver services as efficiently as possible. We must also consider the balance of pay and workforce, with some sectors needing to grow to respond to pressures and others reducing in line with reform opportunities and re-prioritisation of our work.

## Summary of a programme approach within SG

### Key Assumptions

It is proposed that:

- We cannot implement reform as a top-down, Scottish Government-led proposition
- We need to build a coalition around a vision of a future system, and align programmes of work around it from all parts of the public services
- We need to embed reform goals – both long term and short term – into all aspects of SG policy and delivery, but there is a core programme of work that must be led and overseen.

### Key Objectives

In the Policy Prospectus the SG has a renewed commitment to a 10-year programme of reform:

- **To ensure public services remain fiscally sustainable**, by reducing the costs, and reducing long term demand through investment in prevention.
- **To improve outcomes**, which will improve lives and reduce demand.
- **To reduce inequalities of outcome among communities in Scotland** recognising the need not just for improved outcomes, but *a focus in policy and delivery on those most disadvantaged.*

### Scope - delivering reform across the system

We are clear about a what a Scottish Government programme of reform leads and drives itself, what areas of work it influences, and what it achieves in coalition with others.



## **Workstreams – Convening / Saving / Enabling / Aligning**

**Convening:** Agreeing a common vision across the public sectors for achieving sustainable public services and establishing the infrastructure that enables us to collectively make progress.

Years 1-3 – we must have made progress on:

- Achieving consensus around the vision and a clear and common set of goals for reform; a shared common purpose will be critical;
- Ensuring that Scotland's people have an opportunity to share their views and have an impact on the future of Scotland's public services;
- Developing a programme of work across the public services system to support long-term reform as well as achieve short-term savings; and
- Establishing a portfolio approach that places a clear duty on all Scottish Government policy areas to consider their reform approach in terms of delivering the reformed system.

To do this we will:

- Develop, socialise and publish the Public Service Reform (PSR) proposition for reform;
- Establish a governance and oversight approach within Scottish Government that mobilises the various central policy resources to align behind a common delivery plan;
- Establish a portfolio approach across Scottish Government that places a clear duty on all policy areas to consider their reform approach in terms of delivering the reformed system;
- Establish and agree the quantitative, qualitative and progress indicators that will provide the monitoring framework for reform; and
- Engage with the Scotland's public about what this means for their experience of services.

**Saving:** Identifying where the Scottish Government and public bodies can deliver clear and quantifiable cashable savings, setting out clear targets for cost reduction/cost avoidance through achieving efficiencies and which support the longer-term approach to reformed services.

Years 1-3 we must have made progress on:

- Ensuring strategic investment to sustain capacity for reform;
- Reducing like for like costs of service delivery; and
- Strategically disinvesting in those services that do not align with our vision and objectives.

To do this, we will:

- Require all Scottish Government portfolios to lay out their savings and reform plans by the end of the financial year, in line with the principles in this document
- Set out clear savings targets to public bodies, noting that there are bodies and core services (such as the NHS, Police and Fire, Social Security Scotland, Colleges and some very small bodies), which will require specific approaches based on their existing reform plans and service pressures;
- Where possible, providing support to invest-to-save.
- Offer support and challenge for portfolio planning through supporting clustered, cross-portfolio approaches;
- Scottish Government and Public Bodies to follow a cascade of options in delivering savings:
  - Taking all opportunities to increase the efficiency with which they deliver their functions;
  - Taking all opportunities to offer services in different ways;
  - Considering reclassification/alignment/merger of bodies or function;
  - Reducing service only where these options are exhausted;
- SG and Public Bodies will strategically consider where investment and disinvestment must be made to support the longer term approach to reformed services Chief Execs, Boards, and Portfolio Accountable Officers will be accountable for delivering these savings and empowered to do so. Bodies will be expected to work across boundaries to deliver.
- Establish enabling environment for workforce reform, including support for voluntary severance

**Enabling:** Creating the conditions for systemic reform, removing barriers to change and establishing ways that the public can see, understand, and influence the changes. This includes the key efficiency levers outlined in the RSR.

Years 1-3 we must have made progress on:

- Removing, wherever possible, any identified barriers to reform and ensuring that the enabling functions for *long-term change* are in place; and
- Ensuring that the capacities to support reform are in place.

To do this, we will:

- Implement the commitments of the Verity House Agreement, specifically focussing on a joint approach to reform, and delivering the vision for a new model of funding and accountability;
- Work with audit and scrutiny bodies to establish models for scrutiny and accountability that drive co-ordination of joint outcomes;
- Conclude the Local Governance Review to strengthen local decision-making, including through Single Authority Models and Democracy Matters;
- Review the structures and legislation supporting community planning and empowerment to improve shared outcomes with local partners and communities;
- Build leadership capacity to support culture and behavioural change;
- Convene ‘once for Scotland’ approaches with dedicated or surge capacity to deal with complex enablers/barriers, including
  - digital delivery
  - estates management
  - data sharing principles and support
  - technical workforce support
  - where necessary, change the statutory basis of organisations
- Establish greater structure around the public sector landscape;
- Establish greater visibility and security for the third sector – delivering fairer funding and supporting TSIs; and
- Build on the existing evidence base, sharing learning and expertise across the system.

**Aligning:** Driving policy coherence and consistency across significant policy led reforms that will shape the future service landscape.

Years 1-3 we must have made progress on:

- Ensuring that policy led reform programmes are delivering against the long-term vision; and
- That reform actions are making progress against more qualitative indicators of change, improvement and success.

To do this, we will have:

- Aligned major policy led reforms that will help to shape the future service landscape, around reform goals; and
- Made tangible progress on delivering the ambitions set out for:
  - The National Care Service,
  - Care and wellbeing/ health reform,
  - The Promise,
  - Education and Skills Reform,
  - Vision for Justice,
  - Those activities delivering economic development and support regionally, nationally, and internationally to advance the wellbeing economy,
  - Place based service change, and
  - A public bodies reform programme.

## Reform approach

### Why is reform necessary

1. In Scotland, we have transformed the shape and structure of public services in many ways since the Christie Commission report was published, including the establishment of a new national police service and national fire and rescue service, health and social care partnerships and Social Security Scotland.
2. We know that while outcomes and effectiveness have improved for many of the key areas we measure – (for example, where we have built a new Scottish social security system, delivering 13 benefits, including the Scottish Child Payment, estimated to lift 50,000 children out of poverty and reforming our Youth Justice services which have seen an 85% reduction in the number of 12-17 year olds proceeded against in Scotland's courts between 2008-9 and 2019-20) there are opportunities to reduce inequality in our society, and improve outcomes further. We know that the budget situation we face in the short-term is challenging, and we need to reduce costs and improve effectiveness further. However, as we look at the demographic projections and level of demand on public services in the long-term, we also know we need to change the way we deliver services to support people to thrive, to improve outcomes and reduce inequality, and reduce the impact of long-term demand. As set out in Christie's 2011 Report on the Future Delivery of Public Services we can do this through a focus on people, prevention, performance, partnership, and place.

### What do we want to achieve

3. Building on the lessons of Christie, we want people's experience of services to be efficient, high quality, and effective for all. Where people are at risk of poor outcomes, we want all services to be able to identify this early, build relationships with citizens and understand their needs, and work together in partnership to meet those needs, with a clear understanding of the full range of resources in a community can come together to help people. We believe this relational, preventative, place-based way of delivering services is happening in various places in Scotland, and we want it to be available to all people who need it. The characteristics of what that system should look like are described below.

### How will we do this

4. The Scottish Government cannot do this alone, nor will we achieve this without a common goal. We need to build a consensus around this way of working, with local government, with public bodies, with the third sector and with business. We believe this fits with our three missions and the Verity House Agreement. What we can do is:
  - Work with others to build a vision, to understand what this means in practice
  - Support efficiency in delivery;
  - Empower service providers to act differently in how they deliver services;
  - Take away barriers, on funding, data, enabling others to change; and
  - Work together on the models of accountability and funding that underpin this.

5. We are asking organisations across the system to: work with us to move to a different type of service provision; to use this as a platform to change outcomes in our communities and reduce demand in the future; and respond to our pressing budget challenges by reducing cost and increasing efficiency and effectiveness.

## Characteristics of a reformed system

6. ***Our system prioritises prevention.*** Services are incentivised and required to invest in early intervention, and budgets are aligned accordingly, including consideration of sharing resources across organisations. There is a clear link between prevention, improving outcomes, reducing inequality and reducing demand for crisis services. People experience support before they require crisis help and at early stages of need, reducing pressure for acute support.
7. ***The public service landscape is the right size and composition.*** Duplication, inefficiency and silos are reduced across the landscape, and the landscape and disposition of public services is aligned to needs. Provision for services supporting communities is delivered in whatever vehicle is most effective, based on strong local partnerships. There is a presumption of a more efficient, simpler public sector locally and nationally.
8. ***Services are shaped around what matters to people and communities.*** Public services must listen to people and communities, engage transparently with them and understand what matters to them, and there is no one “right” way to deliver services. Public sector bodies are comfortable about adapting their approaches around distinctive needs of different communities. Public services use their collective resources to provide a seamless and holistic response, eliminating duplication and gaps. Scottish Government, local government, and independent scrutiny bodies have the ability to challenge and support public services to deliver in line with this people/person-centred, place-based approach
9. ***Communities influence the public service landscape.*** People, businesses, employers and communities are able to take action and have greater influence on the things that matter to them. Where appropriate, public services enable and support them to take control and lead work to support their goals. Public services enable and support communities to influence decisions over priorities, policy and resourcing in their area.
10. ***Resources are allocated and deployed flexibly and linked to outcomes.*** Policy and delivery, both nationally and locally, supports subsidiarity in decision making about how services are best packaged and provided to users. Scottish Government and public bodies allocate their funding, people, and other assets in ways that work with those held by partners to make the biggest sustainable collective difference on shared priorities.
11. ***Policy and delivery are clearly targeted.*** Services transparently make clear choices about supporting the outcomes that we agree are most urgent, and in a way that most reduces the impact of inequalities in those outcomes. Where there are difficult choices to make regarding where resources are spent, the collective and cumulative impact on decisions is considered. People may experience support

differently, depending on need, co-design with users will reduce the risk of policy failure.

12. ***Plans have regard to the National Outcomes and are informed by a good understanding of future pressures.*** Scottish Government and public services have an understanding of cost and demand pressures in the coming year; and understanding of what action will ensure services are effective and sustainable in future; and reflect this in their plans, which are aligned to the National Outcomes.
13. ***Barriers to holistic support are removed.*** Technical, organisation and cultural blockers to change are systematically identified and reduced collectively across the system. The underlying infrastructure of service provision is not a factor in people getting holistic support wherever they encounter the system, and there is a presumption of interoperability.
14. ***Progress and performance are evidenced and actively managed.*** Progress in moderating demand for crisis services, and short-term proxy measures for improved outcomes and reduced inequalities, are key metrics of success. This includes reviewing and, where necessary, changing work programmes in response to emerging evidence.
15. ***There is both individual and collective accountability for delivering outcomes.*** As a system, our internal and external scrutiny focusses on cross-cutting outcomes and priorities. All relevant partners account jointly for outcomes in communities over time, and severally for their actions, deliverables, outputs and commitment to collective leadership and governance. Scrutiny supports transparency, learning from experience and continuous improvement.
16. ***Embracing the power of digital approaches to service delivery and empowering communities.*** Taking a strategically coherent approach to digital transformation and to using technology can support public service workers to do the things they do best – helping people. Scottish Government, public bodies and local government continue to improve the quality, availability and security of our digital public services. Digital thinking and reform thinking are closely aligned, offering opportunities for significant efficiencies, streamlining, simplification and accessibility.

### Workstreams: Convene / Save / Enable / Align

**Convening workstream update:** agreeing a common vision across the public sector for achieving sustainable public services and establishing the infrastructure that enables us to collectively make progress.

#### Reform narrative/approach

1. We have started to shape a narrative that builds on Christie and our experiences of reforming services. Informing this are the discussions we have had over the past 18 months with local government, third sector, public bodies and others.
2. These conversations have focussed primarily on:
  - the joint work on implementation of the Verity House Agreement, in which reform features heavily;
  - the ongoing work between public bodies and Scottish Government; and
  - through the cross sectoral work on evidence and learning from the pandemic and covid recovery.
3. We are aware that a Scottish Government led narrative risks not enjoying consensus with other system participants and so developing and maintaining this to ensure buy-in, support and commitment is a critical part of our future work.

#### Governance

4. Since the publication of the Policy Prospectus, we have already made significant progress to lay strong foundations. This is necessarily a large and wide-ranging programme of work and this has taken time to work through. Nonetheless, we have embedded PSR governance within Scottish Government corporate governance structures.
5. Director Generals (DGs), as Accountable Officers, are required to update regularly to Delivery Executive Team and through DG Assurance cycles. DG reform approaches are considered at all DG Assurance meetings where Non-Executive Directors (NXDs) have an opportunity to support and challenge the scope, pace and realisable savings from reform activities (including efficiencies).
6. The Scottish Government's Corporate Board oversees general progress through Organisational Health updates.
7. A PSR Steering Group, which includes a number of senior external representatives from across the public, private and third sector, as well as a number of NXDs, provides advice and insight on how best to progress the PSR programme. The last meeting of the Steering Group took place on 22 November, with the next suite of meetings already scheduled across 2024.
8. We have established a Reform Action Group which provides an internal forum for Director-led collaboration on reform issues and a new officials network has been established to socialise relevant information and share learning.



## Partnership

9. We have built reform into partnership structures. A joint approach to reform is core to the Verity House Agreement and we are working through a series of collaborative workshops with COSLA (Convention of Scottish Local Authorities), local councils and Scottish Government on how we implement this.
10. We are also continuing to work with the Community Planning Improvement Board (CPIB), the Covid Evaluation groups and the Scottish Leaders Forum (SLF) to identify the barriers to reform and build proposed action to tackle them into the programme of work thus enabling the system to respond more flexibly and decisively to any changes that are required.

## Open Government and Public Engagement

11. Open government matters if we want to achieve the reforming goals set out in this document. It provides policies and practices that aim to foster government-citizen relationships; the core of the concept of open government of openness, accountability and participation.
12. Scotland is delivering its third Open Government Action Plan. The five commitments cover- fiscal transparency; the ethical use of data and digital technology; providing ways to enable the public to participate in decisions that affect them and two specific commitments to broader participation in Health and Social Care and the Climate Emergency. Uniquely for government the OGP action plan is a shared endeavour with civil society. It has a Ministerial oversight group, jointly chaired with the elected civil society Chair and includes COSLA.
13. The reform programme will therefore use open government principles and implement the advice of the expert working group on Institutionalising Participative and Deliberative Democracy to provide leadership skills and resources to support proportionate, sustainable, inclusive, and impactful participatory processes.

## Measuring success

14. We are working on agreeing a set of more qualitative metrics which will enable us to better understand whether we are making progress against our objectives. We need to be able to assess the health of our system and the organisations and services within it against a common understanding of 'what good looks like.' To this end we are developing:
  - **Qualitative assessment of reform characteristics** – to help us assess whether we are moving closer to a 'good system'.
  - **Maturity matrices** – to help us assess whether we are developing the right conditions for success in our different organisations.
  - **Outcome frameworks** – to help us assess whether, in those areas where reform approaches are applied, do outcomes improve. A joint approach is essential here.
  - **Cashable benefits, cost avoidance, demand reduction** – we need to be able to demonstrate that our services are becoming more sustainable.

**Saving workstream progress update:** identifying where the Scottish Government and public bodies can deliver clear and quantifiable, cashable savings, setting out clear targets for cost reduction/cost avoidance through achieving efficiencies and which support the longer-term approach to reformed services.

### **The Scottish Budget**

15. Building on the considerable savings we have made and fiscal controls we have put in place in previous years, the Scottish Budget sets out the decisions the Scottish Government has made in terms of achieving sustainability.
16. Since the publication of the RSR and the MTFs, we have been working to identify where the Scottish Government and public bodies can deliver clear and quantifiable, cashable savings, setting out clear targets for cost reduction/cost avoidance through achieving efficiencies and which support the longer-term approach to reformed services. As this work progresses, further information will be provided in future updates.
17. Scottish Government and Public Bodies will strategically consider where investment and disinvestment must be made to support the longer-term approach to reformed services. Chief Executives, Boards, and Portfolio Accountable Officers will be accountable for delivering these savings and empowered to do so. Bodies will be expected to work across boundaries to deliver.
18. Establish enabling environment for workforce reform, including support for voluntary severance.
19. Scottish Government and Public Bodies will follow a cascade approach to working through options for savings:
  - Taking all opportunities to increase the efficiency with which they deliver their functions;
  - Taking all opportunities to offer services in different ways;
  - Considering reclassification/alignment/merger of bodies or function; and
  - Reducing service only where these options are exhausted

**Enabling workstream update:** Creating the conditions for systemic reform, removing barriers to change and establishing ways that the public can see, understand, and influence the changes. This includes the key efficiency levers outlined in the RSR

**Building on the learning from Covid/sharing learning and expertise.**

20. We know that there is a lot of reform activity happening across Scotland. Learning, reflecting, evaluating, sharing evidence and improving as we move along will be critical to longer-term success.
21. In November 2023 the Covid-19 Learning and Evaluation Oversight Group published a [report](#) drawing together key messages from analysis of evaluations of interventions introduced in response to Covid-19. The report identified important learning in relation to themes such as trust, data, collaboration, risk and accountability. The report, building on workshops with senior leaders, also identified a number of opportunities to embed change. The messages within the report strongly align with, and support, the Public Service Reform programme.

**Delivering the Verity House Agreement**

22. Scottish Government and COSLA have committed to work together in pursuit of three shared priorities – tackling poverty, just transition to net zero and sustainable public services.
23. Specifically, there is a commitment to develop a joint approach to reform. Officials have engaged with COSLA and SOLACE colleagues in principle on the approach but now need to seek more detailed agreement.
24. It is proposed that these approaches are ***included in the development of work on the implementation of the VHA.***

**Accountability**

25. We are working with colleagues across the audit, scrutiny and accountability landscape to improve our approach. The Committee is already aware of the work taken forward by one of the Scottish Leaders Forum Action Groups on [accountability and incentives](#) which informs our thinking. Ultimately, we are working on accountability from the perspective of the people for whom our services and functions exist, our peers and partner bodies/groups with whom we must collaborate, hardworking and committed public servants across the public, third and private sector, as well as scrutiny bodies and Parliament itself.

**Local Governance Review**

26. Ensuring that decisions are taken as close as possible to those they affect most is key. Our commitment to concluding the Local Governance Review with COSLA within this parliament is part of the Verity House Agreement. We are making progress on delivering the policy ambitions of the review to strengthen local decision-making through the New Deal with Local Government, work to develop Single Authority type models and the Democracy Matters national conversation.
27. Single Authority models involve reconfiguring local governance arrangements in rural island authorities in ways which are better able to meet local need and make best use of the available resource. Orkney and Western Isles Councils have a

long-standing interest in how strengthened and streamlined local decision-making can improve outcomes. Ministers have also agreed to a request from Argyll and Bute to join formal discussions. The Scottish Government will work with local partners to convene conversations which build on local discussions to date and further develop options for alternative place-based arrangements. A human rights-based approach to policy development, with close involvement from local communities, will ensure that any proposed changes have a clear focus on improving outcomes for people and tackling inequalities.

28. The Democracy Matters national engagement process is considering the future of democratic decision-making in communities across the country. In a first phase of engagement, people were clear that they want more control over those decisions which affect them most. A second phase of engagement gives communities until February 2024 to share their views on ambitious outline arrangements which would transform how decisions are taken in Scotland's towns, villages and neighbourhoods. We will publish independent analysis of submissions and work with COSLA to set out a more detailed set of propositions based on these findings. Communities will have further opportunities to refine any new arrangements and help to ensure their successful implementation.

#### **Place based tests of change - Pathfinders**

29. The Glasgow Pathfinder is delivering an 'at scale' exemplar of the No Wrong Door concept across the city and demonstrating the benefits of a whole system approach consistent with Christie Principles. The Scottish Government is working with Glasgow City Council (GCC), and a growing range of third and public sector partners across the city, to integrate child poverty interventions, bring services together, and to connect families to the services they need to thrive.
30. The challenge of reducing child poverty in Glasgow is substantial and requires new and radical approaches to keep families above and stop them falling under the poverty line by supporting them before they reach crisis point. GCC and partners are demonstrating that by connecting citizens to holistic, person-centred, case management support, significant benefits can be delivered.
31. Key to the Glasgow approach is system change and the pathfinder is working to change the system itself, as well as help individuals navigate it. People can access support through a growing number of partners: wherever a person first presents to the system (e.g. ELC setting, job centres, healthcare setting, etc.), they can access the help that they need.
32. GCC is working with partners, including colleagues in health and social care, fire and rescue, housing associations and Police Scotland, to break down silos.
33. GCC have also worked with Glasgow Council for the Voluntary Sector (GCVS) to agree a Data Sharing Framework Agreement. This framework, and continued engagement, will result in a growing number of entry routes and referral pathways.
34. Since May 2022 1,828 people have been supported through ongoing full holistic case management support. Many more families who have not required full case

management have been supported and referred to services by the pathfinder; 61% of the families engaged with in the city were single parents; and 73% of parents supported were unemployed.

35. We are working with Tackling Child Poverty and Social Justice colleagues behind the Dundee Pathfinder and the Family Wellbeing Partnership in Clackmannanshire to develop a national approach to building on the pathfinders through partnering with new areas and sharing learning. We brought together local authority, health board and third sector partners at a National Learning Event on 29<sup>th</sup> November to share learning and experiences to date, and to develop some communities of practice to support us in taking forward a national approach to scale.

### **Community Empowerment**

36. The Community Empowerment (Scotland) Act 2015 has provided a legal framework to promote and encourage community empowerment and participation. It has created new rights for community bodies whilst placing new duties on public authorities. Since part 5 Asset Transfer came into force in 2017 communities have taken ownership or lease of 225 assets which include parks and woodlands, sports and recreational facilities and community hubs.
37. Work to review the Act is currently underway and a report will be available in early 2024. The review will consider how local communities can have more of a say over how local public assets are used, whether that is taking on the ownership or management of land or buildings, delivery of services to members of their community, or greater engagement with the public sector.

### **Community Planning**

38. As the Community planning is about how public bodies work together, and with local communities, to design and deliver better services that make a real difference to people's lives.
39. It drives public service reform by bringing together local public services with the communities they serve and provides a focus for partnership working that target specific local circumstances. Partners work together to improve local services and to ensure that they meet the needs of local people, especially those who need the services most.
40. The Scottish Government has responded positively to the Local Government, Housing and Planning committee's post-legislative scrutiny of Part 2 of the Community Empowerment (Scotland) Act 2015 which covers community planning. The Minister for Local Government Empowerment and Planning issued his response to the committee in August 2023.
41. The Scottish Government has prioritised partnership working, particularly with COSLA, the Community Planning Improvement Board and the Community Planning Network, in responding to the committee's inquiry. Partners are focusing efforts on identifying opportunities to improve sharing of best practice and streamlining governance and accountability arrangements.

42. The Scottish Government will continue to work with partners to inform the review of the full Community Empowerment (Scotland) Act 2015 which is due to be completed in the first half of 2024.

### **Leadership investment and support**

43. Building leadership capacity to drive culture and organisational change is essential. Across the public and third sector, there is investment in leadership development, for example - the work in Justice (Your Leadership Matters). Work is underway to create the Improving Wellbeing and Working Cultures (IWWC) framework and action plan for health, social care and social work workforce. IWWC looks to support local and national actions framed around workplace culture, staff wellbeing, systems leadership, and equalities and inclusivity as critical enablers to workforce retention, service improvement and reform, and the delivery of high-quality outcomes for service users. Information on national interventions currently delivered as part of the IWWC framework can be found at [Leading to Change](#) and [National Wellbeing Hub](#).
44. The Scottish Leaders Forum (SLF) recognises that the reform of Scotland's public services is a collective challenge and has aligned its programme of work with the ten year approach to driving reform to help achieve the three missions, and realise the outcomes and purpose of the National Performance Framework.
45. We want to achieve a more collaborative approach to pan-public service leadership which brings us together, makes the best use of our collective skills, resources and energy to create the best possible environment for excellent leaders to make a difference.
46. With input from SLF members, we are shaping a 'twin-tracked' programme that will underpin the transition to new ways of working, so that in the longer term we are aligned behind a model of collaborative public service leadership which is inclusive, diverse and agile.
  - [Track one, years 1-2] a programme of work reflecting the current top-tier focus of the SLF *as it is* but with some additional resources improve impact, create the conditions for change and the development of Leadership Scotland; and
  - [Track two, years 1-10] scoping, shaping and delivering a *new* incarnation of the SLF, inspired by the Academi Wales model (addressing leadership at all levels) – Leadership Scotland.

### **Public Bodies Reform**

47. There has been a significant amount of work undertaken with public bodies. This work aims to secure efficiencies and improvements by supporting public bodies to consider and implement all options for: efficiencies and managing wage bills; landscape change, including amalgamation; and service model transformation, including revenue raising.
48. We have engaged with public bodies during the last year around action being taken and challenges faced to ensure their operations remain affordable in 2024-25 and sustainable in ways that make positive impact in subsequent years. We

have also listened to what public bodies have told us about some of the major challenges to reform they are experiencing, including from the two template returns most public bodies submitted this year and wider engagement.

49. Most public bodies also submitted further returns in September on a different set of questions. Some of these related to affordability of service provision in 2024-25 and future years, reflecting circumstances specific to each public body. This information is most relevant to inform ongoing discussions and relationship management between that body and its sponsor or relationship lead in Scottish Government.
50. Actions set out elsewhere in this report exemplify how the Scottish Government is tackling challenges to reform that public bodies have told us they are experiencing, including from these template returns and wider engagement. For example, on the challenge of funding, the new invest-to-save fund will offer upfront resource for reform activity. On the challenge of powers and freedoms, we stand ready to support public bodies with identifying and overcoming barriers to revenue raising and facilitate innovation. And on the challenge of how Scottish Government supports and facilitates reform more broadly, we are investing in leadership development and supporting the work of the Scottish Leaders Forum.
51. We have established an initial suite of '**systems clusters**' to support public bodies and other key actors in that system to work collaboratively, to identify where change could most helpfully be focussed in order to achieve better outcomes. These clusters are exploring what Scotland needs and whether our current configurations and approaches continue to be fit for purpose. Initial outputs from clusters will be analysed in early 2024.
52. The need for the Scottish Government to have better and more reliable data is greater than ever. This is a view shared by the Auditor General's in the recent report '[The Scottish Government's workforce challenges](#)' in which he states:

*"The Scottish Government has begun work with its public bodies to better understand the difference planned reforms will make to both the services its workforce provides and how it delivers them. It needs better data on the size, cost and skillset of the workforce in over 100 of its public bodies to support this process."*
53. To support our programme of PSR, the Scottish Government will begin work with the UKG Cabinet Office on a joint benchmarking project for public bodies. This joint project will seek to ensure that Scottish Ministers have access to consistent, objective data to inform decision making and provide an evidence base for change which is currently not readily available. The details of this project are currently being finalised.

## **Grants - Commercial Value for Money programme**

54. The Commercial Value for Money programme (CVfM) aims to ensure we are getting value for money from grant spend. Analysis of a portion of Scottish Government grant spend identified opportunities to align commercial procurement expertise to grant-making and grant management to improve outcome delivery while delivering efficiencies.
55. The CVfM programme has analysed c£600m of grant spend, identifying efficiencies of up to 10%, as well as opportunities to improve outcome delivery through aligning commercial procurement expertise to grant-making and grant management.
56. CVfM has delivered c£3m of efficiencies in FY23/24 by increasing the focus on impactful outcomes, working to identify and remove duplication or inefficiencies, and working with grant recipients to make the best possible use of every pound given through grants. These efficiencies have been recycled into the delivery of additional grant outcomes.
57. Over the next 6 months it is planned to scale up the team to six FTE to expand this work and demonstrate the model by end of FY2023/24 through partnering with specific Directorates and Divisions and to manually build a data set which could be utilised to identify and deliver opportunities across Scottish Government grant spend.
58. This is forecast to increase savings potential to an average of £50-70m pa in the next three budget years as a peak but then steadily reducing year on year.

## **Digital**

59. Our overarching purpose is to provide digital public services, to a higher quality, at less expense and more rapidly by reforming our delivery model to ensure that we are doing the most impactful digital work using a shared model of how we approach the data, architecture, commercial, design and capability aspects of implementation and using common platforms and components.
60. Throughout 2023, we have formed a programme of work which provides the framework under which we give structure to how the Scottish Government (and ultimately its' agencies and NDPBs) organises itself to deliver digital public services. It has a number of key elements that operate together to compose the programme:
  - Implement digital projects portfolio management, an approach to how digital projects are approved for delivery and managed through the delivery cycle (individual programmes will have their own governance and reporting), such that ET in investment mode and in delivery mode can exercise effective oversight of the overall portfolio.
  - Embed a common methodology for digital delivery creating a shared model for how successful projects are taken forward, based on a five-domain approach (data, architecture, design, commercial and capability); together with a support and engagement model that offers assistance and creates capability across the organisation.



- Develop structures that support digital domains including capability management, common approaches to architecture, a common data model, reuse of common components, which operate at a higher level than individual projects.
- Develop common components such as cloud, payments and identity.
- Develop new approaches to common processes such as licencing, with public sector partners.

61. The outline proposal for a portfolio management approach to digital has been progressed through internal governance structures, which received strong support from the Strategic Design Authority, and will be considered by the Executive Team early November 2023 with the recommendation that the first iteration of the approach is developed over Q1 2024.
62. Both AWS and Azure cloud services have launched which will progress the programme of work to live service from January 2024, providing common infrastructure for public sector services.

### **Shared Services**

63. Scottish Government is in the process of improving its own shared service credentials through the implementation of an Oracle Fusion Cloud based Enterprise Resource Planning (ERP) system. Delivered through our Shared Service Programme (SSP), this new platform will replace decades old Finance and HR systems serving Scottish Government core Directorates and over 35 public sector customers. As well as supporting far more efficient practice, this investment strengthens our existing operating model under which all core Scottish Government corporate services are already provided through DG Corporate. This is in contrast to, for example, the UK Government model - where Departments are establishing ERP capabilities via five 'cluster' groupings of their eighteen Departments
64. Oracle Cloud offers scope to share **[HR, Finance and Purchasing]** services more widely across the public sector, beyond our existing customers. Doing so would have the potential to increase payback for taxpayers. For example, each 'onboarding' would reduce related system procurement and maintenance/support expenditure as well as reducing competition for scarce resources, such as those supporting automation
65. Once we have successfully implemented **[Phase 1/our new platform]** in 2024/25 we will engage further with Scotland's public sector, following-up work already in train through Portfolios.

### **Single Scottish Estate**

66. The Single Scottish Estate (SSE) will help us deliver a more efficient approach to public sector property management, optimising costs, enabling the delivery of excellent public services and providing staff with great places to work, recognising the shifts in working culture since the pandemic. It is recognised as part of the Programme for Government and is a lever contributing to public service reform, supports achievement of Net Zero targets and will drive financial sustainability of the public sector estate.

67. SSE will build on existing good practice, working collectively with public sector bodies to develop and deliver targets to retain the right size and condition of estate in the right place at the right times across all publicly funded bodies in Scotland. It will support publicly funded bodies to work across organisational boundaries to co-locate, share on-site services wherever possible, make best use of technology and make changes in working practices to optimise usage of the estate, reducing its footprint and releasing surplus space.
68. Good progress has been made during 2023. We have finalised and implemented the governance arrangements with support from Ministers and senior leaders across the public sector. This includes the establishment of Scotland's first public sector Property Leaders Forum to enhance capability and leadership.
69. We have delivered cash savings and efficiencies reducing the size, costs and emissions of the public sector estate in a number of areas, including:
  - the consolidation of seven public bodies into two buildings in Dundee
  - co-location and resultant ongoing disposal in Edinburgh
  - closure of surplus offices in Edinburgh
  - relocation of SG and five Edinburgh/Glasgow public bodies from private commercial leases co-locating on existing public sector estate
70. Work is progressing in Glasgow to move five public bodies into a more cost-efficient Net Zero Carbon compliant Hub in 2027. This has the potential to deliver significant annual savings and will reduce the size of the Glasgow estate by c.85,000 sq. ft. The consolidation of buildings in Glasgow until the Hub is ready will deliver cash savings from 2024.
71. We have also initiated Location Based Reviews across Aberdeen, Perth and Edinburgh and are in the early stages of working with local authority colleagues in both Perth and Edinburgh.
72. The key focus over the next 6 months will be to further implement the SSE governance, carry out an assurance review, finalise Impact Assessments, update the programme plan and continue progression of location-based reviews and deliver on their recommended property actions, identifying viable opportunities in Aberdeen, Edinburgh, Glasgow and Perth and identify KPIs.
73. We will continue to support public bodies through the Property Forum, the establishment of local action groups, updated property controls processes, improved policy and guidance and data transformation and development of KPIs and a toolkit for local delivery partners to use.
74. We will engage with the wider public sector, including Local Authorities and NHS bodies, where additional benefits can be achieved by developing inclusive property options.

#### **Procurement - Collaborative Contracting**

75. The Collaborative Procurement team within Scottish Government has an established track record of delivery - for every £1 invested in SG-led collaborative

procurement, over £40 is returned in financial benefits; savings average around 10% over the past few years (£130m+ p.a. in 22/23).

76. However, less than 10% of the £14bn total public procurement spend is currently done on a 'Once for Scotland' basis via national collaborative agreements. There are opportunities to increase Once for Scotland buying power by expanding the use of National Collaborative Frameworks across the Scottish public sector. This is very much aligned with the Public Service Reform ethos of achieving greater efficiency in the provision of services.
77. Conducting procurement on a "Once for Scotland" basis on behalf of 200+ public bodies allow these organisations to divert resources to other value-added activities, while increasing the scope of national collaboration will lead to a significant increase in financial benefits delivered via economies of scale.
78. We shall do this by working collectively with procurement centres of expertise (COEs) and individual public bodies to embed innovative practices and whole system improvement.
79. Using data-led intelligence and stakeholder engagement activities will enable us to identify potential new opportunities to leverage the scale of public sector demand, delivering improved value for money and service delivery. This will support PSR in ensuring public services are inclusive, sustainable, efficient and effective in improving peoples' outcomes.
80. It is forecast that a new team of six in 24/25 costing c. £400K p.a. could generate additional benefits of around £16m p.a., with the potential to grow to 20-25 new posts within a 3-5 year period, potentially delivering annual benefits of £50-65m (cashable savings est. £5m - £7m p.a.) It is envisaged that the set-up of this new team will be funded via income from a new Management Charge on selected new collaborative agreements.
81. We have now appointed a new Head of Collaborative Procurement to take this work forward, together with securing some interim resource to conduct an opportunity assessment and develop an outline service enhancement plan, which will be developed collaboratively with sectoral procurement centres of expertise and public bodies during the remainder of 23/24.

### **Raising Revenue & Innovation**

82. The RSR recognised that fiscal balance can only be achieved by focusing on both spending and revenue raising opportunities. The unprecedented challenges facing public finances require the consideration and use of all levers at the disposal of Scottish Government and public bodies in order to secure stable and proportionate funding to invest in and maintain public services.
83. The RSR, therefore, contained a commitment for Scottish Government to work with public bodies who can charge for services to explore ways to recover more of their costs, and to identify options that should be prioritised across the RSR period. This commitment has been progressed as part of the wider programme of Public Service Reform.

84. Scottish Government officials met with public sector leaders on several occasions across 2022 and 2023. A number of public bodies have identified new revenue streams which could see financial returns in the short and longer term (5-10 years), however common challenges were noted. These include insufficient capital resource and challenges around reshaping the workforce to support new revenue streams (no compulsory redundancies, lack of necessary skills and expertise) and legislative barriers (fees and charges are often set in statute).
85. In line with the commitment to sustainable public finances set out in the policy prospectus, the Scottish Government will continue to work with public bodies to support the development of options and remove barriers to implementation. We will also seek to create a culture where proposals for further income generation are actively encouraged and considered in a more sustained and systematic, as part of a coherent overall approach to wider tax and spending decisions.

### **Data sharing**

86. The Scottish Government is aware of the limited availability of the capability required to effectively deliver digitalisation and data-sharing for successful public service reform. Through the Digital Programme we have begun to develop new approaches to support recruitment across Scottish Government and its' agencies and delivery bodies to reduce cross-organisational competition for scarce talent and resource. We have already seen significant improvements in our abilities to recruit digital, data and technology capability into permanent roles and plan to extend the availability of the developed service from early 2024.
87. Additionally, the Digital Scotland Service Manual, which is in development, sets out a shared model for digital delivery covering key aspects of digital transformation: architecture, data, design, commercial, capability and programme and project management. This model of how to approach digital delivery will be developed in collaboration with public sector bodies.
88. Scottish Government has established a Data Management Community of Practice for data management, to share experience in digitalisation and data sharing across the public sector, and a data maturity assessment offer to help target resources towards those organisations further behind in their capabilities.
89. Through the Digital, Data and Technology specialist profession, Scottish Government will explore requiring data experts to share 10% of their time coaching peers and providing advice, thereby spreading the pools of expertise to cover less mature organisations.
90. Through the Open Government action plan, we are committed to improving our Open Data, to ensure the public and research can use non-personal public data, and to increasing the ethical reuse of all data in public good research and development, through secure mechanisms like the national safe haven. Our Open Data online portals continue to see improvement, while public participation and expert advice are guiding the exploration of new mechanisms for public participation around the ethical use of data and AI.

## **Aligning workstream progress update**

Driving policy coherence and consistency across significant policy led reforms that will shape the future service landscape.

91. Government has lead responsibility for driving interconnected programmes of change which align around a longer-term vision. Updates on programme activity are set out below. The Committee has already indicated that it is particularly interested in those programmes of work that prioritise preventative work. Prevention remains a critical principle for reform and many of the individual work programmes set out below do prioritise this.
92. The call to reform is one that applies to all. All areas of policy in Scottish Government are required to demonstrate reform planning in their business areas. Public service reform is relevant to achieving all three of the shared missions and we are mindful of where the ambitions and actions to achieve those missions in economic, net zero and poverty policy are mutually reinforcing. Many of the actions required to make progress to achieve a wellbeing economy, to meet our climate goals and tackle poverty are also reform actions.
93. Across national and local government and partners, there are reform actions seeking to make transformational change to how services are delivered. These key areas must work together to ensure that, as we establish transformational change programmes, we continue to ensure that that the characteristics of a reformed system are reflected. Updates from these core areas are set out below.

## **Economic Development**

94. Reform, with a focus on addressing failure demand, can have a positive impact on both business and the economy: the best route out of poverty for many people is work, so helping people move out of economic inactivity and into employment. This will not only reduce demand on public services but also contribute to revenue raising through increased tax take.
95. Related to this, prioritising actions that reduce the cost of compliance for businesses is a way of helping to fund reform as compliance can mean PSR activity pushes additional costs or burdens onto business. Realistic resourcing for enforcement and compliance services should be a central consideration for any new policy decision.
96. Finally, there can be a role for the private sector to deliver on specific activities. We should be clear where public sector intervention is meant to address market failure – and what role we expect the private sector to play, which should be informed by good engagement. This means that public service reform should include opportunities for innovation, especially around digital delivery, and that should include procurement and investment opportunities for businesses in Scotland.

## **Community Wealth Building (CWB):**

97. Community wealth building is a key part of the economic reform contribution to reform. It is a practical reform tool which is being encouraged and enabled by Scottish Government and taken forward in localities and via regional

collaboration. It is not about structural change, but maximising the investment we already make to better support the local and regional and ultimately national economy.

98. It is also recognised as a key preventative measure to tackle failure demand. We are already delivering significant activity in this space via Community Planning Partnerships, largely being driven by local authorities as well as in the health space as promoted by the Scottish Government Health Anchor Delivery Group. Scottish Government's ambition is to build on the work we have already done and go further and faster in implementing this as a key tool to achieve a wellbeing economy via the commitment to legislation on CWB, and through other means.

### **Regional Economic Partnerships (REPs)**

99. The regional funding proposal to REPs is designed to reduce inefficiencies, duplication and sunk costs in bidding unsuccessfully for short-term grants, and in turn, improve flexible spending across the region with greater autonomy and space for regional design in terms of specific interventions that address local and regional challenges and opportunities. Additionally, in reforming the process for how some funding leaves Scottish Government and is distributed to the eight REPs (which include all 32 local authorities) demonstrates a willingness for Scottish Government to reform and improve its own behaviours, and lead by example.
100. The improvements in analysis that support better decision making and more effective, targeted interventions as a result of the development of Regional Intelligence Hubs would ensure better value for money and return on investments. These more targeted, bespoke interventions would contribute to improved outcomes, shared at a local, regional and national level.
101. Finally, greater autonomy and improved decision making, backed by long-term regional funding to support priorities set out in regional economic strategies, that are tailored to the specific needs and opportunities across each region, is designed precisely for the purpose of reducing inequality within and between regions in Scotland.

### **Business support transformation**

102. The Scottish Government is working with the enterprise agencies, local government and other public bodies to improve the way we support businesses through the Business Support Partnership (BSP). The BSP is currently focused on two main areas of work. The first is on business data – radically improving the way we hold, share and use data about businesses across the public sector so, for the first time, we have an accurate, up-to-date register of all of the businesses in Scotland. This will transform our ability to make policy that affects business, deliver public services, and understand the impact.
103. The second is transforming the way businesses access support available to them and understand so we can make it easier for businesses to access support.

## **Enterprise Agency Reform**

104. Enterprise agencies have been engaged in work to identify options for greater inter-agency collaboration, more collaborative and shared approaches to common functions, collaborative procurement, shared delivery and shared services.
105. In communicating budget allocations to the agencies for 2023-24, we asked that they continue to work with partner agencies and the Scottish Government to consider options in a number of specific areas, including to: realign activities across agency/Scottish Government boundaries; streamline the products and services available, removing any duplication between the agencies; and transform their operating models through the wider use of digital technology and better data sharing. We intend to take the same approach in communicating budget allocations to the agencies for 2024-25.
106. Enterprise Information Services (EIS) acts on behalf of the shared service partners – Skills Development Scotland, Scottish Enterprise, Highlands and Islands Enterprise and South of Scotland Enterprise – to manage multiple IT delivery services. The agencies are exploring further opportunities for realising benefits from the EIS partnership.
107. In addition, work is underway to scope a programme to reform the way in which economic development support is delivered in Scotland. This will examine the role of the Scottish Government, enterprise agencies and other partners and consider options for delivering sustainable operating efficiencies. This will align fully to both work that is underway to consider next steps in wider reform of the economic development landscape across Scotland as well as the broader Public Service Reform programme.

## **Net Zero**

108. Understanding and acting on the implications of climate change and biodiversity loss for Scotland's public services will be a crucial element to how we make progress on reform. Decarbonising our public services, addressing climate change, taking a people-centred and a place-based approach are complementary elements of our reform work which can and should also deliver for our climate and nature objectives.
109. Both the principles of reform and the principles of supporting adaptation and achieving net zero in a just and fair way for people, businesses and communities, have high synergy. The actions to achieve both should also support achieving both – through fostering reciprocity, sharing resources to add value, and bringing together the national and local to address gaps and leverage influence. It is a key driver of the development of a new framework for coordinating public sector action on net zero between the Scottish and Local Government within the overarching Verity House Agreement.
110. Given the key role of public engagement and participation in reaching net zero it will become increasingly important to ensure consistent messaging from both local and national government. It will also be important to have coordination to minimise duplication and ensure that a desire to provide opportunities for

meaningful engagement does not risk engagement fatigue on the part of stakeholders.

111. An example of this at work is the Climate Intelligence Service. This has recently been established as a joint venture funded jointly by Scottish Government and Local Government to help councils build capacity and capability for the development of area-wide programmes of emissions reduction; to deliver their own area-wide net zero targets, and to contribute to Scotland's national commitment to net zero by 2045.
112. Activity will be delivered by a partnership between Edinburgh Climate Change Institute and the Improvement Service. This partnership brings together expert knowledge and practitioner insights, a track record of successfully supporting local authorities and access to existing networks to engage stakeholders and progress actions. The Climate Intelligence Service will be co-designed with local authorities and other stakeholders, building on existing activity by aligning with the work of the Sustainable Scotland Network.
113. Local authorities are also playing an important role in the development of the Scottish Government's Community Climate Action Hubs network which empowers communities to develop and implement plans that take account of local circumstances and needs. These types of initiatives will be key to enable communities to influence the public service landscape and for services to be shaped around what matters to people and communities while responding to climate change.

### **Aligning Public Bodies**

114. We recognise that reform thinking must also apply to the Scottish Government. We have taken significant steps towards ensuring the long-term sustainability of the public bodies landscape with the introduction of a Ministerial Control Framework (MCF). It operates under the assumption that no new public bodies should be created unless essential. The MCF provides additional rigour to the process for creating new public bodies, using the Scottish Government Executive Team and Cabinet as gateway reviewers.
115. We also recognise the need to continually review the existing public bodies landscape with a focus on how resources are used to improve outcomes. This process is still in development alongside public bodies.
116. We share the Committee's view on the need for a more strategic look at Parliamentary Commissioners. As officials discussed with the Committee on 28 November, this is a matter for Parliament and specifically the Scottish Parliamentary Corporate Body (SPCB). The Public Bodies Support Unit continue to engage with and support the SPCB in addressing the growing number of Commissioners being established.
117. We have taken forward the implementation of the Ryan Review which considered the following issues:
  - How Scottish Government teams and public bodies can most effectively manage risk and escalation of issues when challenges arise.



- The organisation and management of the relationship with public bodies across Scottish Government, and how both sponsor teams and public bodies can be supported effectively

118. The review produced 14 recommendations to the Scottish Government, focused on improving the relationships we have with our public bodies. Each DG Portfolio has been working throughout 2023 to embed the Strategic Sponsorship principles as best practice. An update on progress was provided to the Scottish Government Audit & Assurance Committee in June 2023 with the Public Bodies Support Unit providing evidence to the Public Audit Committee as part of their business planning in August 2023.

### **Third Sector/Fairer Funding**

119. The First Minister spoke at The Gathering event on 8 November where he set out commitments on Fairer Funding and wider interests. This was followed by a Q&A session where calls for Scottish Government to progress those commitments continued, including:

- To make multi-year grants the norm by 2026;
- To ensure monitoring and reporting requirements are proportionate, particularly for those organisations that have a regular funding relationship with the Scottish Government, to increase flexibility while maintaining value for money.
- For Scottish Government to provide tailored support for third sector organisations operating in rural Scotland.

120. The First Minister acknowledged the third sector needs stability and the opportunity for longer term planning and development. He undertook to advise the sector to what extent multi-year funding can be extended including a greater number of two-year grant agreements, and longer where possible once work on the budget was completed.

121. Officials have been asked to review current processes of grant making practices and make improvements whilst ensuring value for money in grant making. He committed to tapering of monitoring and reporting requirements particularly for those organisations the Scottish Government has had a financial relationship with for a significant time to make things less burdensome. He further provided reassurance that all Ministers and Cabinet Secretaries are engaging appropriately with the sector and are responsive to issues raised.

122. The First Minister also spoke about the planned review of charity regulation. Building on the recent passage of the Charities (Regulation and Administration) (Scotland) Act 2023. We will work with the third sector and partners to develop the scope for a wider review of charity regulation.

### **The Promise**

123. The Deputy First Minister met with the Chief Executive of The Promise Scotland and Independent Strategic Adviser on The Promise in October 2023. They presented a proposed approach to working with stakeholders and potential philanthropic investors to identify options for investment and disinvestment in

public service delivery, intended to deliver outcomes relevant to Keeping the Promise but also wider public service reform.

124. In agreeing that this work should progress, reporting into the Cabinet Sub-Committee on the Keeping the Promise, the Deputy First Minister has asked that this approach be aligned with the wider programme of public service reform. The Promise Scotland will offer early opportunities for relevant Cabinet Secretaries to visit settings across Scotland that will help to illustrate some specific examples of reform opportunities. These may be relevant to future Budget decisions and, as committed to in the Programme for Government, the publication over coming months of a Whole Family Wellbeing Investment Strategy.

### **Tackling Child Poverty**

125. Tackling poverty, in particular child poverty, and protecting people from harm is one of three critical and interdependent missions for the government – alongside our focus on the economy and strengthening public services.
126. The Scottish Government published the [annual progress report 2022-23](#), on 13 June 2023, setting out progress in implementing *Best Start, Bright Futures* and toward the ambitious targets set through the Child Poverty (Scotland) Act 2017. This highlighted the wide range of action taken by the Scottish Government and partners in the reporting period, including increasing the value of the Scottish Child Payment to £25 and expanding the payment to eligible children under the age of 16, working with our local authority partners in order to mitigate the UK Government Benefit Cap as fully as possible within devolved powers and introducing emergency legislation to protect tenants. The report also highlighted that in 2022-23 we invested £3bn across a range of programmes targeted at low income households, with £1.25bn directly benefitting children.
127. Modelling, published alongside the annual progress report, estimates that 90,000 fewer children will live in relative and absolute poverty in 2023-24 as a result of this Government's policies, with poverty levels 9% points lower that they would have otherwise been. This includes lifting an estimated 50,000 children out of relative poverty through our Scottish Child Payment.
128. Our Programme for Government sets out how we will build on the strong foundations we have laid to drive forward action at greater pace and scale to tackle and reduce poverty. This includes committing to introducing the Housing Bill to create powers for the introduction of long-term rent controls; increasing the value of a number of Scottish benefits, including the Scottish Child Payment, by inflation from April 2024, and setting out plans to expand access to funded childcare for 13,000 more children and families by the end of this Parliament.
129. As set out in Programme for Government 2023-24, the Scottish Government have established a new Ministerial group, focusing on the delivery of Best Start, Bright Futures across government to strengthen our approach and maximise our approach and maximise our collective impact on child poverty.

## **The Scottish Government's Vision for Justice in Scotland 2022 31**

130. In 2022 we set out a transformative [vision](#) of the future justice system for Scotland, spanning the full journey of criminal, civil and administrative justice, with a focus on creating safer communities and shifting societal attitudes and circumstances which perpetuate crime and harm.

### **Blue Light Collaboration**

131. The Reform Collaboration Group (RCG), established in early 2014, provides a strategic platform for effective collaborative working between Police Scotland (PS), Scottish Fire and Rescue Service (SFRS) and Scottish Ambulance Service (SAS).
132. Against the backdrop of the financial challenges outlined via the RSR and the 2023/24 Budget, agreement was reached with PS and SFRS to work together to expedite further collaboration between the services in order to generate efficiency savings.
133. In March 2023, Scottish Government commissioned a joint outline business case (OBC) from PS and SFRS on further blue light collaboration, stressing that this should be seen as a spend to save project, focussing on the potential return on investment. Since then PS and SFRS have collaboratively procured consultancy services to develop the OBC, with the contract now awarded to the successful supplier.
134. In commissioning the OBC partners were asked to give consideration to the sharing of services, including contact centres, people, corporate services, estates, alternative partners (i.e. Scottish Courts Service, Scottish Prison Service, Local Authorities etc.) to ensure all potential areas of collaboration are taken into account.
135. A key objective of the OBC is to outline a Target Operating Model which could demonstrate potential savings and detail what would be required to realise those benefits and deliver savings to each organisation.
136. The OBC is anticipated to be delivered by May 2024, with a final position on the recommendations, savings, risks and benefits determined by the organisations and their respective Boards by early summer 2024.
137. A series of ministerial meetings have been scheduled to take place throughout the development phase of the OBC with our emergency service partners, in order to receive regular progress updates. Once the OBC is concluded, the findings and recommendations will be shared and discussed with Ministers.
138. Thereafter, we would expect that each area where a collaborative opportunity has been identified and agreed would require a full business case in its own right, setting out in detail the benefits, costs, and processes for securing the transition from the current 'as is' state to the 'to be' state. Both PS and SFRS recognise that the transition will require upfront investment if it is to succeed.

139. In parallel with the OBC process, both PS and SFRS are currently progressing work to identify additional savings and efficiencies, focussed on corporate services. These include:
- Identifying specific actions to streamline and standardise end to end business processes and demonstrate early delivery and benefits;
  - Identification of areas of work/activity which could be stopped;
  - Review of inter-functional collaboration, skills analysis, and process effectiveness;
  - Revision of operating models, including, insourcing, outsourcing, and sharing of services with external partners; and
  - Consideration of other non-operational functions – collaboration/inclusion and partnerships.

### **Education and Skills**

140. Scotland's education and skills system is part of Scotland's critical national infrastructure, underpinning our economy, society and enabling Scotland to play its full part as a good global citizen.
141. Reform initially focussed on structural reform of our education bodies (replace Education Scotland (ES) and the Scottish Qualifications Authority (SQA), following the OECDs review of Curriculum for Excellence and Prof. Ken Muir's subsequent report on 'Putting Learners at the Centre: Towards a Future Visions for Scottish Education, which contained recommendation to meet the commitment to replace ES and the SQA with three new public bodies.
142. Following the publication of other related independent reviews (Qualifications and Assessment by Professor Hayward; Skills Delivery System by James Withers; and the National Discussion) in addition to the publication by the Scottish Government of Purpose and Principles for Post School Education, Skills and Research, the Cabinet Secretary took the decision to pause the legislative programme to reframe Education and Skills Reform through a more holistic approach which reflects that the education system has fundamentally changed post covid, along with the needs of our economy and society. Within this reframing there is a clear focus on excellence in learning and teaching at a system level and an expectation that all elements of the education and skills system has a collective responsibility to improve outcomes for the people that experience and deliver education.
143. A revised governance model has just been agreed which will include the establishment of a new Education and Skills Ministerial Group, Chaired by the Cabinet Secretary to advise on the totality of education and skills reform. This group will be supported by a new Education and Skills Portfolio Group, Chaired by DG Education and Justice; alongside a new Chief Executive's Forum involving all the bodies which will be subject to reform; and enhanced cross directorate working between Education Reform and Lifelong Learning and Skills Directorates.
144. Both the Education Reform and Post School Education Reform programmes, will also incorporate greater objectivity and user experience into the future system by embedding independent expertise into the relevant governance and working

groups to advise, challenge and assure work in addition to providing an advocacy role on reform within their respective professions / communities.

145. The Cabinet Secretary for Education and Skills provided an update on the new holistic approach, including details of new proposal around the new Centre of Teaching Excellence, and the launch of the consultation on the Education (Scotland) Bill (due to be introduced before summer recess 2024) in a statement to Parliament on 7 November. This also set out a further update to Parliament by Mr Dey which will take place on 5 December on post school reform; and a commitment for a further debate on Education and Skills Reform in the new year.

### **National Care Service**

146. The aim of the National Care Service is to improve quality, fairness and consistency of community health, social work and social care support provision that meets individuals' needs. Stakeholders and people with direct experience have told us the system needs to change to address standards and consistency across Scotland. The NCS will provide national leadership, oversight and standards to ensure consistency and fairness and sustained improvement in people's services. Services will continue to be designed and delivered locally to meet local need.
147. The National Care Service (Scotland) Bill was introduced in June 2022. Seven Committees of the Scottish Parliament have taken evidence on the Bill at Stage 1 and the lead Committee (Health, Social Care and Sport) and the Finance and Public Administration Committee are continuing Stage 1 scrutiny. The deadline for Stage 1 of the Bill is 31 January 2024
148. The Scottish Government and COSLA (on behalf of local government) reached initial consensus in June 2023 on a partnership approach that will provide for shared legal accountability for integrated health and social care services. Following that initial agreement, officials from Scottish Government and COSLA, and NHS leaders, are continuing to work together to develop more detailed proposals which will in due course inform proposed Government amendments to the Bill.
149. In order to provide effective national oversight and governance of social work, social care support and community health, the National Care Service will have a National Board, whose members will include Scottish Government, local government, NHS Boards and, importantly, people who access these services; workforce representatives and unpaid carers. Overall, the aim of the National Board will be to ensure consistent, fair, human rights-based social care support and community health services, underpinned by effective complaints and advocacy for people. At the same time, it will support communities to maximise the benefits of reformed local delivery of services.
150. At local level, local government and NHS Boards will retain statutory delivery functions, staff and assets. Further work will consider how existing integration structures can be reformed and strengthened as part of the National Care Service. This will have particular focus on improving outcomes with, and for, people, enhancing collaborative leadership, embedding the voice of lived

experience in governance structures, and improving integrated budgeting and financial planning.

151. The Scottish Government is committed to building the National Care Service with people who use and deliver community health and social care support. In 2023 we have carried out extensive co-design work, including events across Scotland and online through the summer, and the second NCS National Forum on 30 October. The summer events focused on five initial co-design themes; keeping care support local, information sharing to improve care support, valuing the workforce, realising rights and responsibilities, and making sure my voice is heard. These findings informed discussions at the National Forum which will in turn help to inform future co-design work. We will continue this co-design work to develop the detail of proposals for the NCS, within the framework set by the agreement with COSLA and the NHS.
152. Over the coming months the Scottish Government's focus is on progress of the Bill through Parliament, while continuing to develop detailed proposals for subsequent secondary legislation and guidance through co-design. At the same time we are taking action to address challenges in social care support now, guided by the Joint Statement of Intent agreed with COSLA in December 2022.

### **Primary Care**

153. Since 2018 we have significantly expanded the **multi-disciplinary primary care workforce**, with total staff of 4731 WTE working in multidisciplinary team (MDT) services including physiotherapy, pharmacy and phlebotomy at March 2023. We are supporting development of these teams through investment of £190 million in 2023-24 through the Primary Care Improvement Fund.
154. Local monitoring and evaluation shows that MDT delivery is freeing up practice time to focus on more complex community care; reducing referrals into secondary care; streamlining inefficient practice processes; creating upskilling training pipelines for staff and encouraging self-management where appropriate. However, we know that implementation gaps remain, and that there is significant variation in how the MDT has been implemented combined with ongoing challenges with workforce availability.
155. We are introducing an additional 'phased investment programme' working with a small number of areas, at different stages of implementation, to demonstrate what a model of full implementation can look like in practice, over an initial 18-month period this year and the following financial year. The findings from this work will inform long-term Scottish Government investment for all areas. In parallel, we are committed to driving improvements and supporting learning from best practice in all areas, to support more efficient and effective MDT working.
156. To underpin this, we will develop an extensive programme of quality improvement and monitoring and evaluation support, working with Healthcare Improvement Scotland and other national partners.
157. The continuing development of the **Expert Medical Generalist GP role** is a key element in our approach to delivering **General Practice reform**. It enables GPs

to take a clinical leadership role in multi-disciplinary teams, meeting people's increasingly complex healthcare needs and ensuring that where possible they can be cared for at home. Ultimately it enables GPs to do the job they train to do and, crucially, deliver better care for patients.

158. We will work closely with the Royal College of General Practitioners, who are already engaged in UK-wide work to set out the role of the Expert Medical Generalist GP. We also remain committed to working together with the BMA and other partners as this role develops to ensure that we deliver against our joint commitments on the 2018 GP Contract policy.
159. The **National Centre for Remote and Rural Health and Care** launched at the beginning of October, and is now developing a programme of work designed to improve the capability of rural, remote and island primary care and community services, and support the improvement and retention of a more highly skilled rural health workforce.
160. The Centre will be delivered by NHS Education Scotland and is backed by £3m until 2026. The Centre will be both virtual and local to ensure its availability to all communities, and will provide a resource to support Health Boards and Health and Social Care partnerships in their responsibilities and drive essential improvements in sustainability.
161. To address health inequalities, we are funding the **Inclusion Health Action in General Practice (IHAGP)** project, which is making payments to practices serving the most deprived communities in NHS Greater Glasgow and Clyde. In March 2023, we provided new IHAGP funding of £300,000 to general practices in NHS Greater Glasgow and Clyde with the highest levels of poverty and disadvantage, and in April the First Minister announced a further £1 million for 2023/24.
162. IHAGP enables practices to take practical actions on health inequalities and inequity of access, which, in turn should help to reduce pressure on other parts of the health and care system. This new funding supports our commitments to prevention and early intervention with patients at highest risk of poor health. The payments support practices to carry out activities which best meet the needs of the communities they serve including: proactive outreach, social support, longer appointments, translation support, and working with people who miss appointments.
163. At 31 March 2023, there were over 308 WTE primary care **Community Link Workers** (CLWs) in post across Scotland and most are funded from the Primary Care Improvement Fund (PCIF). CLWs ensure that patients receive appropriate support for non-clinical issues that drive poor health and health inequalities. CLWs help to avoid inappropriate medical treatment and prescribing. While local areas decide on the composition of primary care teams, Link Worker capacity should be targeted to our most deprived communities where they have the greatest impact. We will work with partners in 2024 to refresh CLW policy and develop future funding arrangements to provide more stability for CLW services.

164. For 2023/24, we made an additional funding guarantee of up to £1.35m to Glasgow City HSCP to protect CLWs posts and this was in addition to Glasgow's 2023-24 PCIF allocation of almost £23m within £190m of nationwide PCIF investment this year. In relation to a planned reduction in CLW posts for 2024/25 by Glasgow, we have further committed to provide the HSCP Partnership with up to £1.2m per annum on a recurrent basis for three years, a total of £3.6m for three years, to sustain CLW capacity at current levels. The funding is in addition to the HSCP's expected PCIF allocation in 2024/25.
165. We remain committed to increasing the number of GPs in Scotland by at least 800 by 2027. Since 2017 GP Headcount has increased by an additional 271 GPs and is now sitting consistently at over 5,000 GPs. There are more headcount GPs per 100,000 population in Scotland than the rest of the UK.
166. Excluding specialist trainees, in September 2023 Scotland had 81 GPs per 100,000 population, compared with 62 in England, 65 in Wales (Jun-23) and 76 in Northern Ireland.
167. To help retain the current workforce, the GP Retention Working Group, which has representation from across the profession, will report to the Cabinet Secretary for NHS Recovery, Health & Social Care in December with a set of recommendations which will develop our approaches to supporting GPs to remain in clinical practice. 100% of training places advertised so far this year in General Practice have filled successfully (273 posts, accurate as of 25 July 2023). These trainee doctors started their posts in August.
168. With regard to digital tools, **GP IT reprovisioning programme** is underway, with migration to new GP IT expected to be fully complete by 2026. Work is ongoing on **data sharing** between primary care and other health care professionals.
169. **The National Primary Care Clinicians Database** (NPCCD) continues to develop, with dental currently being scoped and the first phase statement of work signed off.
170. There is a need to review the **GP.Scot** web offering and develop a long-term proposal to support GP practices in meeting their legislative requirements in relation to having a practice website. Consideration is also be given to how GP.Scot integrates with the future Digital Health & Care programmes of work including NHS inform and the Digital Front Door.
171. The **Digital Prescribing and Dispensing Pathways Programme** (DPDP) continues to make positive progress towards the implementation of a digital solution which will remove the requirement for a wet signature on prescription for in-practice prescribing and dispensing.
172. In 2023-24, we are investing £190m in the **Primary Care Improvement Fund** (PCIF), supporting the ongoing development of primary care multi-disciplinary teams, including vital Link Worker services.



173. **Dental Payment Reform** came into effect on 1 November 2023. Payment system reform affirms this government's commitment, set out in the First Minister's Policy Prospectus, to sustain and improve patient access to NHS dental services.
174. Our priority in delivering payment reform is to ensure that fee levels are reflective of the increased costs of modern dentistry, providing longer term sustainability and encouraging the dental sector to increase its existing NHS provision. Payment reform is also the first step towards an NHS dental service which appropriately assesses, responds to and supports the oral health needs of every patient in Scotland.
175. The new model reduces bureaucracy, provides greater clinical freedom to NHS dental teams and reflects modern clinical practices for NHS patients. Around 40% of patients will continue to receive free NHS care and treatment, as they did under the previous arrangements. The reformed system also continues to protect free dental examinations for everyone, with Scotland the only country in the UK to offer this. For those not exempt from NHS dental charges but on a low income, financial support continues to be available via the NHS low income scheme.
176. As a result of the difficult decisions which had to be taken through the Emergency Budget review, recruitment of the 1,000 additional roles to support community mental health resilience, **ensuring every GP Practice has access to a mental health and wellbeing service** has not yet commenced.
177. We remain committed to delivering increased mental health and wellbeing capacity in primary care and developing plans to improve mental health and wellbeing support, assessment and treatment in General Practice.
178. The newly published Mental Health and Wellbeing Delivery Plan sets out our ambition to drive a shift in the balance of care across mental health to ensure a focus on prevention and early intervention in the community, including a focus on providing high quality mental health care in General Practice, by:
- Working collaboratively to improve access to support, assessment and treatment in primary care mental health and wellbeing services. This will include the development of multi-disciplinary teams in general practice, and maximising the role of community mental health teams, digital provision and NHS 24 to make access simpler and quicker, aligning care and quality with the Getting it Right for Everyone (GIRFE) principles. We will produce an initial report on progress, which will include equality impacts, by November 2024;
  - Publishing guidance on measuring and evaluating outcomes from mental health and wellbeing services in primary care by the end of 2023. This includes data indicators for protected characteristics and deprivation; and
  - Continuing to include primary care and community mental health as priorities within the Mental Health Outcomes Framework.

179. Budgets for 2024 – 2025, and beyond are under discussion, however it is imperative that we bear in mind the challenging financial situation we find ourselves in.
180. We have already prioritised significant investment to build mental health capacity in primary care through Action 15 and the Primary Care Improvement Fund. At March 2022: our Action 15 commitment had seen an additional 356.1 WTE mental health workers recruited to GP practices; and by March 2023 186.4 WTE mental health workers had been recruited under the Primary Care Improvement Fund (PCIF).
181. We've exceeded our Action 15 commitment to fund over 800 additional mental health workers in settings such as A&E departments, GP practices, police custody suites, prisons and community settings, with 958.9 WTE roles filled.

## Finance & Public Administration Committee Pre-Budget Scrutiny 2024-25: The Sustainability of Scotland's Finance

### Recommendations 135-188

#### Introduction

The Deputy First Minister wrote to the Committee in May 2023 agreeing that the Scottish Government would provide a report updating progress on a programme of reform every 6 months. This commitment keeps pace with the rhythm of the annual budget cycle, the first update due alongside the Scottish Budget in December 2023, with a further update in 2024 alongside the Medium-Term Financial Strategy (MTFS).

The Committee's recommendations regarding reform which are set out in the Committee's recent pre-budget scrutiny report, are addressed in the first progress update on reform that has been submitted alongside the Budget and the wider response to the full suite of the Committee's recommendations and concerns.

For ease of reference, recommendations have been clustered and cross referenced with the relevant pages and paragraph numbers of the update report.

#### Overview

*135. While the Committee accepts that government policies will, of course, evolve and develop over time, we are concerned that the focus of the Scottish Government's public service reform programme has, since May 2022, changed multiple times, as have the timescales for publishing further detail on what the programme will entail. Given the financial challenges facing the Scottish Budget, this represents a missed opportunity to be further along the path to delivering more effective and sustainable public services.*

*136. It is disappointing that commitments to set out further details of the Scottish Government's reform programme have at times not been met. Eighteen months into the programme and a lack of clarity remains in relation to the overall purpose, objectives, timetable, upfront costs required and anticipated savings and efficiencies to be delivered. Much more work is needed if the Scottish Government is to achieve the type of reform envisaged by the Christie Commission in 2011 that delivers "effective and sustainable public services capable of meeting the challenges ahead".*

*137. Our recommendations in this section of the report aim to bring much needed impetus, focus and direction to the Scottish Government's reform programme to ensure successful outcomes can be achieved at a much quicker pace.*

The nature and scale of the fiscal challenge has deepened since the publication of the RSR in 2022. We have had to be flexible and adaptive to ensure our evolving approach both balances the budget whilst creating the conditions to enable our public services to meet the needs of Scotland's people and places.

Pages 1-4 of our progress update relate to the recommendations and comments above.

We share the Committee's desire to see successful outcomes, delivered at pace.

### **Strategy & Leadership**

*143. The Committee agrees with witnesses that governments have a central role in setting a clear strategic purpose and focus for public service reform. The evidence we received suggests that the Scottish Government's public service reform programme currently involves a collection of disparate workstreams and sectoral reforms, with no overall strategic purpose and with limited oversight and direction from Government.*

*144. The Committee therefore recommends that, as part of its first update to be provided alongside the Scottish Budget 2024-25, the Scottish Government sets out a clear vision and strategic purpose for what it wants to achieve with its public service reform programme, including how it will provide leadership and oversight to support public bodies to deliver on this vision*

*145. This update should also include the financial strategy to accompany the reform programme that was committed to by the then Deputy First Minister in March 2023, along with details of each workstream under the programme, milestones for their delivery, and clear measurements of success. An explanation of how the public service reform programme will impact on delivery of the National Outcomes should also be included.*

Our strategic purpose, laying down strong governance foundations and our engagement is set out across pages 1-9 of the update.

Our approach to reform which identifies clear characteristics of a reformed system is set out across pages 10-12.

Additional information on work to date on the work with public bodies is set out in the Savings section of Annex B, page 15; in the Enabling section of Annex B, pages 19-20; and in the Aligning section of Annex B, pages 29-30.

It is also worth noting our updates in the Enabling Section of Annex B on: the Single Scottish Estate, pages 21-22, procurement, page 23; and revenue raising, page 24.

### **Evaluation & Structure**

*146. The Committee is currently unclear how the Scottish Government intends to evaluate the progress and effectiveness of the programme given the last 18 months have been subject to so much policy change and uncertainty. To support evaluation and scrutiny, the Committee asks that the Scottish Government publishes its six-monthly updates to the Committee in the same format each year.*

Noted.



## **Public Bodies Reform**

*147. It is encouraging to hear that public bodies are increasingly looking to collaborate on the delivery of services. However, some witnesses highlighted that a 'mandate' was needed to incentivise public bodies to make greater progress with reform, while others suggested that some reforms could be trialled and tested to see what works in which areas. We ask the Scottish Government to consider the circumstances in which these approaches might be most appropriate and to report back to the Committee on its findings.*

*148. The Committee suggests that corporate reporting could be used by public bodies as a way to demonstrate how they are making progress against the Scottish Government's strategic purpose and vision for reform.*

*166. The Committee asks the Scottish Government to explain how it will make the overall public body landscape more coherent, given the concerns we heard regarding a cluttered landscape, overlapping remits and confusion amongst the public on where to access services. We also have concerns that the creation of a national care service adds a layer of further complexity to this landscape.*

*167. The Committee has concerns regarding how the landscape of commissioners has evolved since devolution and considers that a more strategic approach to their creation and development may be required in the future.*

*177. The Committee welcomes the efforts of public bodies in collaborating and sharing functions and staff resources to maximise efficiencies and improve the delivery of services. We seek an update from the Scottish Government on the work being carried out by the Scottish Bodies Delivery Group to identify further opportunities for the sharing of services. We ask if it will also consider providing some resource, including business expertise, to better support the Group's work and ensure better sharing of good practice.*

Our approach to public bodies reform remains consistent and we are content that our approach allows for flexibility in terms of testing and sequencing. Public Bodies Reform is a key part of our overarching approach to reform. Given the nature of the financial challenge, we continue to work with public bodies to make progress on where efficiencies and improvements can be made (across digital, shared services, public sector estates, procurement and grant management); opportunities for revenue raising and our approach to pay sustainability.

We agree with the Committee's recommendation that corporate reporting is used to demonstrate progress. More detail on the governance and assurance processes in place for the Public Service Reform programme is included in the update.

Regarding the concerns around a cluttered landscape, the committee should note the Ministerial Control Framework which aims to add additional rigour to the establishment of new public bodies and other areas of work designed to support bodies and ensure organisations remain fit for purpose. See the Aligning section of Annex B, pages 29-30.

With reference to the National Care Service our focus is to improve quality, fairness and consistency of community health, social work and social care support provision that meets individuals' needs. Stakeholders and people with direct experience have told us the system needs to change to address standards and consistency across Scotland. An update on this work can be found in the Aligning section of Annex B, pages 34-35.

Additional information on work to date on the work with public bodies is set out in the Savings section of Annex B, page 15; and in the Enabling section of Annex B, pages 19-20. This also includes reference to any support available to public bodies to enable reform. More generally, whilst we work closely with the Scottish Delivery Bodies Group, we feel it would be more appropriate for the group to respond to the Committee's request for more information on its work.

We share the Committee's view on the need for a more strategic look at Parliamentary Commissioners. As officials discussed with the Committee on 28 November, *this is a matter for Parliament and specifically the Scottish Parliamentary Corporate Body (SPCB)*. The Public Bodies Support Unit continue to engage with and support the SPCB in addressing the growing number of Commissioners.

### **Reform Principles - Prevention**

*155. The Committee is encouraged that there are pockets of preventative work being led by the Scottish Government which are very promising and that it also considers preventative impact in policy development.*

*156. However, we believe that making the decisive shift towards prevention envisioned by Christie requires a more strategic and co-ordinated approach. We therefore recommend that the Scottish Government gives clearer weight within its public service reform programme to those reforms that support preventative measures. Progress with preventative measures can then also be evaluated and scrutinised through the Scottish Government's six-monthly updates to the Committee.*

*157. We recommend that the Scottish Government considers how it can work towards "putting prevention on an equal footing with capital and day-to-day spending", as recommended in a recent report by DEMOS.*

We welcome the Committee's focus on prevention. In the context of sustainability pressures, we know that sustainability cannot be ensured solely by reducing costs. It remains necessary to reduce inequality and improve outcomes, to cut future demand and help support sustainable public services.

Investment in prevention has been a feature of policy for some time, for example in supporting youth justice, investment in care and wellbeing, a public health approach to drugs use, etc.

The Scottish Government recognises the importance of prioritising preventative spend in delivering the change necessary to enable ongoing delivery of sustainable public services.

The Committee will note that a significant proportion of the work described in this update is focussed on prevention. We would draw your attention to, for example, the Enabling and Aligning workstream updates in Annex B.

With regards to the recommendation on putting prevention on an equal footing with capital and day-to-day spending, the classification of spend described by DEMOS is reserved to the UK Government.

The Scottish Government will continue to engage with the Committee on how best to report on progress.

### **Digitalisation**

*178. "We heard that digitalisation and data-sharing are key to the success of public service reform but that public bodies are all "fishing in the same pool for the same capability", especially in relation to digital expertise. Smaller bodies are particularly affected. We therefore recommend that the Scottish Government explores how expertise in digitalisation and data sharing can be pooled to better support public bodies to realise opportunities to transform public services. This must include ensuring that those organisations who are further behind on the digital journey than others, such as some in the health sector, can 'catch up', with digital processes that unlock real efficiencies, while improving patient care."*

The Scottish Government is aware of the limited availability of the capability required to effectively deliver digitalisation and data-sharing for successful public service reform. Through the Digital Programme we have begun to develop new approaches to support recruitment across Scottish Government and its agencies and delivery bodies to reduce cross-organisational competition for scarce talent and resource. We have already seen significant improvements in our abilities to recruit digital, data and technology capability into permanent roles and plan to extend the availability of the developed service from early 2024.

Additionally, the Digital Scotland Service Manual, which is in development, sets out a shared model for digital delivery covering key aspects of digital transformation: architecture, data, design, commercial, capability and programme and project management. This model of how to approach digital delivery will be developed in collaboration with public sector bodies.

Scottish Government has established a Data Management Community of Practice for data management, to share experience in digitalisation and data sharing across the public sector, as well as a data maturity assessment offer to help target resources towards organisations that are further behind in their capabilities.

Through the Digital, Data and Technology specialist profession, Scottish Government will explore requiring data experts to share 10% of their time



coaching peers and providing advice, thereby spreading the pools of expertise to cover less mature organisations.

Additional information on our wider work on digital and digitalisation can be found in the Enabling section of Annex B, pages 21-22.

*179. The Committee asks how the Scottish Government will ensure that the public sector demonstrates transparency regarding the artificial intelligence and algorithms it uses to deliver public services.*

The Scottish Government launched the Scottish AI Register (<https://scottishairegister.com/>) in March 2023 to ensure that the use of AI by the Scottish public sector is fully transparent to the public. The number of use cases on the Register is still small but growing and compares favourably with the closest UK Government equivalent (as of end of November 2023, six algorithmic transparency reports have been published at <https://www.gov.uk/government/collections/algorithmic-transparency-reports>).

Following discussion with the Minister for Small Business, Innovation, Tourism and Trade, we have initial approval to take forward mandating use of the Register across the Scottish public sector and are taking forward work to deliver this early in the next financial year.

The Scottish Public Sector AI Task Force, first convened by the Scottish Government AI Unit in October 2023, will drive forward the mainstreaming of the Register.

## **Partnership**

*180. We note that, while there are some examples of good practice in sharing services amongst individual local authorities, both COSLA and SOLACE appeared to be more reticent about the scope for further efficiencies to be made. We ask the Scottish Government to clarify how, as part of the VHA, it is working with local government to advance a more strategic approach to collaboration and reform.*

A joint approach to reform is core to the Verity House Agreement and we are working through a series of collaborative workshops with COSLA (Convention of Scottish Local Authorities), local councils and Scottish Government on how we implement this. Local Government is represented on our PSR Steering Group, and our reform narrative has been informed by the regular engagement we have with COSLA.

Over the coming months will work directly with COSLA officers and leaders, with reference to their recently established Special Interest Group on Innovating, Developing and Transforming; and with SOLACE with reference to their developing programme of transformation, to progress this strategic collaboration.

## **Single Estates Approach**

*187. The Committee welcomes the work being undertaken by public bodies to identify opportunities to rationalise their estates to suit post-pandemic ways of working. We further note that the Scottish Government has a programme of work planned under its Single Estates Strategy, albeit this work appears to be at an early stage. We seek details of how this work will support bodies to ensure that net zero commitments can be met in the rationalisation of their estates.*

*188. We echo the recent observations of the Auditor General for Scotland regarding reform of the public sector estate and ask the Scottish Government to confirm how it will now provide the clear and effective leadership needed to drive these reforms “at the scale and speed required”. The Committee also requests details of how the Scottish Government is ensuring that better data on the condition, occupancy and cost of the wider public estate is gathered to inform decision-making, as recommended by the AGS*

Additional information on the SSE work can be found in the Enabling Section of Annex B on the Single Scottish Estate, pages 22-23.

The SSE programme will require public bodies to demonstrate their progress towards delivering a net zero estate through Strategic Asset Management Plans (SAMPs). Under the Scottish Public Finance Manual, SAMPs will become mandatory for submission to the programme, and these will support decisions on property under the SSE programme.

It is recognised that there is a growing focus on Net Zero, with the Scottish Government’s objective to achieve Net Zero by 2045, five years earlier than the UK Government has legislated for, and for all public sector buildings to meet this target by 2038. This requires consideration of the heat source and condition of the estate, with a requirement to ensure office locations are fit for purpose.

Taking steps towards Net Zero with a smaller estate will be supported by enabling all publicly-funded bodies to work together to harness the efficiencies of new, hybrid ways of working and offer shared on-site services wherever possible.

This will include taking a location-based approach to identify opportunities for short, medium and longer-term improvements and to minimise estate costs and footprint whilst planning for efficient business delivery. The SSE will bring together occupiers, allowing for far greater opportunities to exploit economies of scale, that will deliver the change that is required to reach Net Zero targets. In doing so, the programme will actively promote and encourage a number of rationalisation and improvement strategies so that the public estate can significantly contribute to achieving net zero targets and reduce its environmental impact.

With regards to the question on leadership, the Scottish Government has established a programme of work called the Single Scottish Estate (SSE); SSE will continue to feature in strategic priority commitments such as the

Programme for Government and its governance draws together leaders from across the public sector to challenge, contribute and act as champions in a whole-system approach to collaborative development of public sector estate improvements.

With regards to the question on better data to inform decision making, a distinct workstream within the SSE programme has been established to improve public sector property data. Scottish Government are working collaboratively across the sector to bring together valid, visible and up to date public sector property data.

### **Learning & Evaluation**

*203. The Committee asks the Scottish Government how lessons learned from the approaches taken during the Covid-19 pandemic are being built into its public service reform programme and how it will create the culture and impetus in which these dynamic approaches can be adopted.*

The Committee will note in the update, that one of our actions is to continue to build on the existing evidence base, sharing learning and expertise across the system. The Committee will also be interested to note that in November 2023 the Covid-19 Learning and Evaluation Oversight Group published a [report](#) drawing together key messages from analysis of evaluations of interventions introduced in response to Covid-19. The report identified important learning in relation to themes such as trust, data, collaboration, risk and accountability. The report, building on a series of workshops with senior leaders, also identified a number of opportunities to embed change. The messages within the report strongly align with, and support, work that is being progressed as part of Public Service Reform.