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09 July 2025

Dear Convener,

## **PUBLIC SERVICE REFORM UPDATE**

The Public Service Reform (PSR) strategy published to Parliament on 19 June 2025. I wrote to you and the Public Audit Committee Convener (cc'd) to make you aware of this publication.

The strategy sets out my priorities for delivering reform; which I believe addresses the key challenges and opportunities of reform. Consequently the programme as published in September 2024 has been superseded by the 18 workstreams set out in the strategy document. I would welcome early engagement with the Committee on the strategy and would be keen to continue to engage with the Committee on a 6-monthly basis, if the Committee would welcome that.

This letter contains a brief update on recent developments in PSR, with a focus on those activities which best demonstrate progress against the priorities in the strategy.

I look forward to discussing the strategy and next steps in more detail with the Committee.

Best wishes,

**Ivan McKee MSP**

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## **SECTION 1: Public Service Reform (PSR) Strategy**

The PSR strategy sets out a system-wide approach to changing our public services system, to make it more preventative, joined up and efficient. This is consistent with the approach established through the Christie Commission but focusses on tackling the barriers to change that have stopped implementation to the fullest extent. Building on successes in reform over the years and a thorough understanding of the barriers to change, the strategy sets out how we will increase the scale and pace of reform.

The 18 workstreams in the strategy are grouped together in three pillars – reflecting our priorities for change – and four foundations which set out the system barriers that we must tackle:

- Pillar 1 (Prevention) – taking forward the necessary technical changes, including to budgets, to make a significant shift to prevention (investing early to stop problems becoming established or escalating) in order to improve outcomes
- Pillar 2 (Joined Up Services) – better joining up services locally, which is exemplified by our Whole Family Support model. Scottish Government is working with local partners to enable greater local-decision making and flexibility to support those families at risk of poverty.
- Pillar 3 (Efficient Services) – we have set an ambitious target to reduce identified costs of Scottish Government and public bodies spend on corporate functions by 20% over the next 5 years. This is not about cuts but rather changing how we do business, making our system (not just individual organisations) more efficient and prioritising the front-line.
- Foundations – tackling fundamental system barriers to change which underpin all three pillars – leadership and culture; accountability and incentives; greater empowerment; and structural complexity.

Progress on the PSR strategy will be overseen by the PSR Board co-chaired by Minister for Public Finance and DG Strategy and External Affairs with representation from local government, public bodies, third and private sector. The PSR strategy is attached as an annex to this letter.

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## SECTION 2: Progress update

This note provides a brief overview of progress on Public Service Reform, prioritising updates on those areas most relevant to the strategy.

### Foundations

- The Minister for Public Finance hosted a summit with over 150 public services leaders on Monday 17 February 2025 to gather views to inform the PSR Strategy.
- Establishment of the Public Service Reform Board with the first meeting taking place on 27 March 2025
- The PSR strategy was launched to Parliament on 19 June 2025, accompanied by [new research](#) to learn from 25 years of preventative interventions in Scotland.
- The Scottish Government has recently [concluded a review of parts of the Community Empowerment \(Scotland\) Act 2015](#) and three reports were published in March 2025; which include the actions that Scottish Government will take to respond to the findings of those reviews.
- Programme for Government (PfG) 2025-26 confirmed that we will publish preferred options for Single Authority Models (SAMs) in Argyll and Bute, Orkney and Western Isles that have been developed jointly by local government and health. In addition to detailed plans, at least one geography will be transitioning towards shadow arrangements ahead of any necessary legislative change. The Cabinet Secretary for Health and Social Care and the Minister for Public Finance meet quarterly with local government and health representatives from each geography to ensure progress.
- PfG 2025-26 outlined that blueprints for community decision-making will be published by the end of this Parliament. The Democracy Matters Steering Group has been meeting since December 2024 with the objective of developing the ambitions set out by communities during the highly inclusive engagement process into practical models for community democratic decision-making. The Scottish Government has also invested £50,000 in the testing of a citizens' assembly in Dunfermline which is being taken forward by Fife Council and the Electoral Reform Society.

### Pillar 1

Significant work is underway within Health and Social Care to ensure that people get the services they need and deserve. Alongside the [NHS Operational Improvement Plan](#), published in March, which focuses on short term improvements, the [Health and Social Care Service Renewal Framework](#) (published 17 June 2025), contributes across the 3 pillars of PSR and provides a blueprint for health and social care service reform in Scotland. It sets out the key steps to delivering change, including actions in the first 12 months, 2-4 years and over the next decade. It is underpinned by five principles for renewal: prevention, people, community, population, and digital.

Aligned to PSR principles there has been considerable reform work within Health and Social Care including the publication [Scotland's Population Health Framework](#) (17 June 2025). The Population Health Framework is focussed on taking a whole system approach to creating a more preventative system by strengthening how national and local partners work together to drive collective accountability to improve population health and reduce inequalities by reorientating resources towards prevention.

As an important early action under the Framework, we will move to restrict the promotion of food and drink high in fat, sugar or salt where these are sold to the public. Regulations to do

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so will be introduced to the Scottish Parliament in autumn. Following a public consultation, regulations will:

- target food categories that are significant contributors of calories, fat and sugar to the Scottish diet
- restrict promotion of pre-packed food and drink products within targeted food categories that are high in fat, sugar or salt (HFSS)
- restrict volume price promotions of HFSS products such as multi-buy offers (for example buy one get one free) and free refills of soft drinks with added sugar;
- Restricting the placement of HFSS food and drink products at key selling locations such as store entrances, checkouts and aisle ends.

Further progress includes:

- Taking forward actions from our [Tobacco and Vaping Framework](#), we have worked closely with the UK and Devolved Governments on the development of the UK wide Tobacco and Vapes Bill. In May the Scottish Parliament gave unanimous legislative consent to the Bill.
- The minimum unit price of alcohol increased to 65p in September 2024. Work is underway to consider the range of options for any future uprating of minimum unit pricing. There will be full engagement with all stakeholders on any options considered.

## Pillar 2

As set out in the PSR strategy Whole Family Support (WFS) is our model for integration of services. We are taking forward action to increase flexibility over how funding is spent, streamline reporting requirements, identify and collaborate on approaches to overcome data sharing barriers and enable collaborative, place-based leadership to drive service reform.

Following intensive engagement with partners between January – April 2025 we are working with a core group of local authorities to remove barriers and enable local partners to have greater flexibility to act to meet the needs of low-income families. Our aim is to collaborate with these partners, building readiness across public services and overcoming technical barriers. Agreement on flexibility will vary depending on the needs of each local authority – this is not designed to be a one size fits all approach. We are working across Government and with local partners to develop a shared outcomes framework and associated reporting to guide the streamlining process, ensuring these are fit for purpose and meet requirements at local and national levels.

We will learn from this initial phase of implementation with the aim of extending to other parts of Scotland quickly thereafter.

## Pillar 3

- Across our Single Scottish Estate, National Collaborative Procurement, Commercial Value for Money and digital programmes we expected to save £280 million for the two-year period to the end of 2024/25. Final figures show the programmes saved (cash releasing and cost avoidance) just over £320m over a two-year period to the end of 2024-25
- The 2025/26 Budget includes a £29.9m Invest to Save fund, this is focussed on investing in projects now to create future savings. A small proportion (20%) has been made available to Local Government. Over 40 bids were received with £28.12M initially allocated to 20 bids. A number of bids had similar proposals, in particular around automation and digitisation. We are working with those bids to see where there may be synergies and scope for collaboration and avoid duplication. This may see the total amount invested reduce as those discussions progress. The initial investment, plus a

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small proportion of the savings generated, will be expected to be repaid into the fund both to support future projects and as a proof of concept.

- Since 2022, enhanced recruitment controls were introduced and have managed reductions in the total Scottish Government workforce. From March 2022 to March 2025, the total workforce has reduced by 5%. The reduction in the total workforce has prioritised reductions of the contingent workforce, such as more expensive consultants and contractors. The number of contingent workers is now 47% lower than March 2022. We continually engage with our trade unions on matters impacting the workforce, in line with our partnership agreement.
- The Shared Services Programme implemented Oracle Cloud in the Scottish Government and 32 public sector organisations in October 2024, replacing decades-old systems for managing our HR, finance and purchasing functions. The implementation of Oracle Cloud to around 20,000 users was an operational necessity and long-term investment to ensure efficient and effective corporate services for decades to come. It reduces operational risk, streamlines business processes, improves data accuracy and enhances decision-making capabilities - modernising how we work to better serve the people of Scotland. We continue to support our customer organisations through the change with continued customer engagement and quarterly system updates. The launch of the Enterprise Performance Management (EPM) module through a series of launches in 2025 is a key milestone and brings significant benefits through greater insights to assist in planning, forecasting, and reporting.

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