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Dear Convener,

Thank you for your letter of 16th December relating to the report into Scotland's Public Finances: Challenges and Risks. I welcome the Auditor General for Scotland's scrutiny on public finances and the acknowledgment of the challenges, given increased costs due to inflation and the impact of the cost of living crisis.

Fiscal Sustainability

Providing sustainable public services is a key priority, as outlined this year in the 2023-24 budget, with action taken through the Emergency Budget Review to address financial challenges as inflation and pay settlements increased. Robust financial monitoring in-year continues to support our actions in ensuring financial balance.

The 2023-24 Budget has utilised powers over tax and funding to support sustainable public finances, with the Budget accompanied by an Equality and Fairer Scotland Budget Statement, High Level Carbon Assessment and a public attitudes to tax and stakeholder roundtable. These documents provide further information around the decisions made and support transparency. The Resource Spending Review and the targeted review of the Capital Spending Review, published in May 2022, set high level parameters to inform longer term planning. The annual publication of the Government's Medium Term Financial Strategy also ensures a regular focus on the medium term outlook and supports planning for future fiscal sustainability.

Reform

In your letter, you refer to the Auditor General's findings that there is a need for radical reform of the public sector, with the pace and scale of reform needing to increase. As re-affirmed in the Scottish Budget 2023-24, the Scottish Government remains committed to public service reform. It is built into the three cross-cutting priorities set out in the Scottish Budget 2023-24, namely achieving sustainable public services, eradicating child poverty, and transforming the economy to deliver a just transition to net zero.

The current financial situation is challenging and requires us to consider all options for reform. We are committed to taking the action required to place our public finances on a sustainable and resilient footing for the future – including by intensifying and accelerating

our moves to create person-centred public services. This will ensure public services remain fiscally sustainable and are designed and delivered in line with Christie principles.

Our other priorities also transcend traditional policy and delivery silos. For example, our commitment to eradicate child poverty recognises the inter-dependencies between education, health and social justice. We are working in collaboration with public bodies, our partners in COSLA, local government and the third sector, building on shared experience and learning from past reforms, to transform the delivery of Scotland's public services, with more focus on preventative person-centred support for families to thrive. This includes progressing a number of pathfinder projects, including in Glasgow and Dundee, to test person-centred approaches at scale.

Public Sector Consolidated Accounts

The Auditor General has recognised that progress has been made with regards to additional consolidated accounts. I do however acknowledge more progress is needed as we know from the Covid pandemic and to navigate wider fiscal challenges, in particular the need to prioritise the production of the statutory accounts. The Scottish Government's Consolidated Accounts 2021-22 were laid and published on 1st December.

Whilst significant information is available in the individual accounts of all public sector bodies, I would reiterate the Scottish Government remains committed to the production of additional accounts.

I look forward to attending Committee to discuss these issues further and my office will remain in touch with the clerks.

Best wishes,

JP Marks
Permanent Secretary to the Scottish Government