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Convener, Public Service Reform Committee
Scottish Parliament
EDINBURGH
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30 September 2026

Dear Bob,

Thank you for your letter dated 24 September 2026 about the Scottish Government's approach to delivering public service reform.

The written update I shared with you reports on progress on the PSR Strategy to date. I welcome the Committee's comments on the update and suggestions for how it can be strengthened.

In addition, work continues to develop the Monitoring and Evaluation Framework which is due to publish this autumn. I have detailed below what information we are able to provide and at present. I will be happy to continue to provide updates to the committee as the work develops.

Workforce targets

The target outcome is a reduction of 2.5% in the overall public sector workforce size by 2029-30 whilst protecting frontline services. Over the five year period from 2025-26 to 2029-30 this equates to an average reduction of 0.5% per annum. It is important to reiterate that we publish quarterly workforce FTE numbers, both by workforce, and more recently by public sector organisation, which gives transparency over the baseline and actual movements in the workforce. The baseline for this is the March 2025 full-time employed (FTE) workforce, based on the latest available data, this equates to around 457,700 FTE.¹

¹ Published public sector employment statistics are used to monitor progress against the target. However, there is not a perfect alignment between the organisations covered by the target and those included in the published statistics. Some bodies in scope of the target are not captured in the statistics, while some organisations included in the statistics are outside the scope of the target. For example, public corporations are excluded from the target because, although they are publicly owned, they are mostly funded from revenue generation. Public Sector Employment by headline workforce is available here: [Public Sector Employment in Scotland Statistics for 2nd Quarter 2026 - gov.scot](#) and Public Sector Employment by detailed public body organisation here: [Public sector employment in Scotland: employment by organisation for 1st Quarter 2026 - gov.scot](#)

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I am clear about the need to protect frontline services, and our focus on reducing corporate costs, as outlined more fully in the Public Services Reform Strategy. As I explained on 10th September, the target for an average annual reduction of 0.5% in the *overall* public sector workforce represents roughly 4% average annual reduction in the non front-line workforce.

The 0.5% annual workforce reduction was set through the Fiscal Sustainability Delivery Plan as a managed contribution to addressing medium-term fiscal sustainability, recognising that workforce costs account for a significant proportion of public spending. The figure provides a gradual and deliverable trajectory that can be achieved through reform, service redesign, and natural attrition, automation and digitization. It is an average annual target across the devolved public sector, with reductions varying by organisation and portfolio to protect frontline services. The scale and timing of workforce changes will vary across portfolios to reflect local circumstances, service delivery priorities and opportunities for reform. We accept the reductions may not be achieved in a linear fashion.

The Fiscal Sustainability and Delivery Plan set out in total £2.6 billion of savings, to be generated over the five years to 2029-30. Of this total, £2.2 billion of savings are from efficiencies and reform, and within that, £0.7 billion of those savings relate to workforce reductions.

Local Government

The future fiscal outlook for Local Government will bring challenges that require it to generate efficiencies and engage in service transformation, as it has to date. As stated in the Finance and Local Government published Portfolio Efficiency and Reform Plan, councils retain flexibility in how they deliver efficiencies and savings.

The Government is working collaboratively with local government partners on workforce planning, recognising that local authorities are best placed to make decisions about service delivery in their own areas.

With regards to the reform of local governance structures, as per our letter of 21 September, our starting point is to ensure we have the capacity and the capability in the right places – strategically and locally – to unleash economic opportunities and achieve the ambitions of communities in all areas of Scotland. The paper we have published is intended to facilitate debate and discussion with the objective of establishing a measure of shared agreement about the scale and the broad shape that reform could take. As more details on these proposals take shape, we will share more information as the business cases are developed.

NHS Simplification

On the 1 September, as part of the Programme for Government, the First Minister announced the Scottish Government's intention to simplify the NHS by replacing the current 14 territorial Health Boards with two Strategic Health Boards and build on planned reforms to further reduce the number of special Health Boards.

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The Scottish Government will engage first and foremost with the workforce and we will set out and agree a process with trade unions to ensure the workforce is able to help shape these plans. We are currently in the design phase of the work, which includes developing the business cases. The work will be developed in partnership with staff, staff representatives, trade unions, stakeholders and the public, with a strong focus on the needs of rural and island communities, led by the Cabinet Secretary for Health and Care.

Recurrent savings for Health

Historically, NHS Boards have been expected to deliver recurrent savings equivalent to 3% of baseline funding each year as part of a three-year financial planning approach. This 3% expectation is reaffirmed through the Portfolio Efficiency and Reform Plan and remains a key component of supporting financial sustainability across NHS Scotland. Ms Constance remains the key Cabinet Secretary for progress on savings within the portfolio.

We have an established national programme focussed on 15 priority areas that both create financial efficiency but also are clinically effective, create better productivity, and most importantly improve outcomes for our population.

This approach has doubled recurring savings across NHS Scotland, from around £145 million in 2022-23 to over £300 million in 2025-26, and this work will continue across the spending review period. NHS Boards have set recurring savings targets equal to 3% this year and Scottish Government continues to work with, and hold Boards to account, for meeting those targets.

Public body reform

During July 2026, a functions-based review was undertaken which identified proposals on how to reduce duplication, increase efficiencies and restructure the public body landscape. The process developed a range of options from shared services models and digital transformation to structural reform as well as combining functions where they are closely connected. This review helped to inform and shape the Programme for Government and the Public Service Renewal Bill.

The decluttering and simplifying of the public body landscape, as set out in the Programme for Government will need to be underpinned by detailed implementation plans. These plans are currently in development – being led on by Scottish Government policy leads and public bodies respectively. I am committed to transparency around our reform ambitions and will seek to publish, where feasible, relevant information throughout.

The Public Service Renewal Bill seeks to drive forward public body reorganisation, where it requires early primary legislation, as well as supporting barrier reduction, setting enabling conditions for future reform activity and providing an opportunity to deliver technical changes that support efficient services and/ or improve customer experiences. The content of the Bill is currently being developed, and I look forward to discussing the content further with the Committee in due course.

Expanded clusters programme network

The Strategy made a commitment to expand the clusters programme and publish a network of clusters. In the written update I provided to the committee (page 11 of 45), I outlined that

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we have developed a network of 64 Scottish public bodies across 9 clusters, I have attached a list detailing these.

Transformation of digital resources

Digital sits at the heart of our ambitions to create a joined up, efficient public service whereby spending is managed at a government level and we see increased use of common components and services. This will see an enhanced, consistent experience for users of multiple public services whilst delivering savings as we rely less on external products and suppliers. Reporting on digital project expenditure is submitted to the Public Audit Committee, and is available here: [Major ICT Projects | Scottish Parliament Website](#)

Turning to the products and components we have created, while they remain in the early stages of their adoption, we have focused on the onboarding of critical partners and agencies to test and iterate during their development. For ScotPayments, our accessible and secure payments platform, specifically, the service now supports multiple public sector organisations and has processed more than £5 billion in payments across a range of services, including pensions, grants and other business-critical payments. ScotAccount, our reusable national capability for sign-in, identity verification and verified attributes, supports 8 Service Customers across 10 Services and has created over 900,000 accounts.

The outline business cases created in 2020 do not provide the information requested in terms of background modelling and assumptions. However, significant work has been undertaken during 2026 to develop full business cases for live running of ScotPayments and ScotAccount. These contain benefit frameworks and clearly articulate the current landscape and scale of potential cashable and non-cashable benefits for the period 2027 to 2036. I can commit to publishing a summary of this and informing the committee once this work concludes in the coming months.

Finally, I wish to remind members that the Scottish Budget, which will be published by the Deputy First Minister on 3rd December, is the vehicle through which portfolio allocations, including any assumptions made on savings realised by workforce reductions, are made. I look forward to answering any further questions tomorrow,

Yours sincerely,



IVAN MCKEE

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Cluster Summary		
Cluster	Public Body	Other cluster(s)
Regulatory bodies (via Economy - Scottish Regulators Forum, extends beyond PBs)	NatureScot	Environment & Forestry
	Service Society for Trading Standards	
	Society of Chief Officers Environmental Health in Scotland	
	Scottish Housing Regulator	
	Accountant in Bankruptcy	
	Historic Environment Scotland	Culture
	Scottish Fire and Rescue Service	Justice
	Care Inspectorate	Health & Social Care, Chairs
	Healthcare Improvement Scotland	Health & Social Care
	COSLA	
	Scottish Environmental Protection Agency	Environment & Forestry, Chairs
	Scottish Charity Regulator	
Public Body Chairs (pilot cluster)	Scottish Environmental Protection Agency	Regulatory, Environment & Forestry
	Revenue Scotland	
	Scottish Enterprise	Economy
	Highlands and Islands Enterprise	Economy
	South of Scotland Enterprise	Economy
	Scottish Funding Council	Education
	National Library of Scotland	Culture
	Registers of Scotland	
	Scottish Prison Service	Justice
	Highland & Islands Airport	Transport
	Care Inspectorate	Regulatory, Health & Social Care
	NHS (Scotland) Pension Board	
	Sports Scotland	
	Scottish Water	
Culture (existing cluster extended & relaunched)	Creative Scotland	Economy
	Historic Environment Scotland	Regulatory
	National Records of Scotland	
	National Galleries	
	National Libraries	Chairs
	National Museums	
Economy (via existing Business Support Partnership, extends beyond PBs)	Creative Scotland	Culture
	Highlands & Islands Enterprise	Chairs
	Scottish Enterprise	Chairs
	South of Scotland Enterprise	Chairs
	Skills Development Scotland	Education
	Visit Scotland	
	COSLA / Business Gateway	
	SLAED reps for Local Authorities	
Education & Skills (via Chief Executives Forum)	Education Scotland	
	HM Inspectorate of Education	
	Skills Development Scotland	Economy
	Scottish Funding Council	Chairs
	Qualifications Scotland	
	SCQFO	
	Scottish Awards Agency Scotland	
Environment & Forestry (EnFor) (existing cross	Cairngorms National Park Authority	
	Forestry & Land Scotland	

portfolio cluster, includes CAE & RALRI bodies)	Loch Lomond & Trossachs National Park Authority	
	NatureScot	Regulatory
	Royal Botanic Gardens Edinburgh	
	Scottish Environmental Protection Agency	Regulatory, Chairs
	Scottish Forestry	
	Zero Waste Scotland	
Health & Social Care (via NHS Chief Execs Group)	14 territorial healthboards	
	Healthcare Improvement Scotland	Regulatory & Chairs
	NHS Education Scotland (merged with NSS)	
	NHS Golden Jubilee	
	NHS 24	
	Public Health Scotland	
	NHS National Services Scotland (merged with NES)	
	Scottish Ambulance Service	
	State Hospitals Board	
Justice (via Justice Board)	Community Justice Scotland	
	COPFS	
	Police Scotland	
	Scottish Childrens Reporter	
	Crown Office and Procurator Fiscal Service	Regulatory
	Scottish Legal Aid Board	
	Scottish Police Authority	
	Scottish Prison Service	Chairs
Transport	Caledonian Maritime Assets	
	CalMac Ferries	
	Highlands and Islands Airports Limited	Chairs
	Scottish Canals	
	Scottish Rail Holdings	
	Transport Scotland	