



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Finance and Public Administration Committee

**Tuesday 18 March 2025**

**Session 6**



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**FINANCE AND PUBLIC ADMINISTRATION COMMITTEE**  
**10<sup>th</sup> Meeting 2025, Session 6**

**CONVENER**

\*Kenneth Gibson (Cunninghame North) (SNP)

**DEPUTY CONVENER**

\*Michael Marra (North East Scotland) (Lab)

**COMMITTEE MEMBERS**

\*Ross Greer (West Scotland) (Green)

\*Craig Hoy (South Scotland) (Con)

\*John Mason (Glasgow Shettleston) (Ind)

\*Liz Smith (Mid Scotland and Fife) (Con)

\*Michelle Thomson (Falkirk East) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Lesley Fraser (Scottish Government)

Gregor Irwin (Scottish Government)

John-Paul Marks (Scottish Government)

Jackie McAllister (Scottish Government)

Scherie Nicol (Organisation for Economic Co-operation and Development)

**CLERK TO THE COMMITTEE**

Joanne McNaughton

**LOCATION**

The Robert Burns Room (CR1)



# Scottish Parliament

## Finance and Public Administration Committee

*Tuesday 18 March 2025*

*[The Convener opened the meeting at 09:30]*

### Public Administration in the Scottish Government

**The Convener (Kenneth Gibson):** Good morning, and welcome to the 10th meeting in 2025 of the Finance and Public Administration Committee. We have received apologies from Ross Greer.

The first item on our agenda is an evidence session with John-Paul Marks, the permanent secretary to the Scottish Government, on issues relating to public administration in Government. Mr Marks is joined by Scottish Government officials Lesley Fraser, director general corporate; Gregor Irwin, director general economy; and Jackie McAllister, chief financial officer. I welcome you all to the meeting, and I invite Mr Marks to make a short opening statement.

**John-Paul Marks (Scottish Government):** Good morning. We welcome the opportunity to consider public administration, financial management and reform. I will begin with the most recent, current and future Scottish Government budgets. The latest consolidated accounts for 2023-24 received an unqualified audit opinion. The Scottish Government will balance the 2024-25 budget, and I am happy to confirm zero draw-down of ScotWind moneys in-year. As members know, the Parliament passed the budget for 2025-26, setting the spending authority for the final year of this parliamentary session.

The Scottish Government's track record on balancing the budget is good, but fiscal sustainability risks remain high. To respond to that, ministers have confirmed that the medium-term financial strategy will be published in May with a fiscal sustainability delivery plan that will set out the Government's plans for workforce, health and social care reform, social security, tax and growth. The United Kingdom spending review is due in June, and, once it has received revised capital assumptions for future years, the Scottish Government will publish its infrastructure plan. That should mean that all those artefacts are available for parliamentary scrutiny to inform the budget for 2026-27.

The Government will also provide a further update on its public service reform programme,

including a renewed vision and revised governance. That will include delivering more cashable benefits from programmes, including estates, digital, commercial and workforce programmes; continuing to take steps to empower systems to innovate, raise revenue and recover costs; developing a set of programmes to transform public services through digital, including cloud identity payments and shared services; continuing with a mission to improve services across systems—for example, summary case management is being rolled out in the justice system; and delivering programmes such as the Promise and whole-family support, which have been informed by pathfinder evaluations that will be published this year. We will also publish more detailed plans on health and social care innovation and operational improvement.

Finally, the Government will be investing in prevention, building on the legacy of public health reform in Scotland with initiatives such as minimum unit pricing, and bringing forward further opportunities to make progress, including legislating for a tobacco-free generation.

We will touch today on the historical harassment reviews. We have done a lot of work over the years to continue to develop our propriety and ethics capabilities in the Scottish Government, with published procedures and a recently updated Scottish ministerial code. We continue to develop public administration capabilities—for example, on transparency. We have strengthened the performance report in the annual report on accounts. Jackie McAllister has led the work on developing public sector financial reporting. We reset and have improved freedom of information response rates to the Parliament and the public. The transparency review, which Gregor Irwin is leading, on our commercial assets will conclude shortly.

On approach and structures, as the committee is aware, we have completed our governance review and have agreed a revised fiscal framework with the Treasury, and we reset the relationship with the new UK Government following the UK general election.

Finally, to support delivery, we developed our strategy, performance and delivery units. We have a set of targeted programmes to improve risk management and accountable officer assurance. We have a new Cabinet dashboard to support delivery and track the programme for government deliverables and provide that assurance to Cabinet, with the review of the national performance framework under way. All of that is underpinned by our Scottish Government leadership framework and our commitment to civil service values and “in the service of Scotland” values.

Finally, I am grateful to the team and to our partners for their leadership, resilience and hard work, and I wish colleagues and the committee well for the future. We look forward to your questions.

**The Convener:** Thank you very much. I noticed that there were more “finallys” in there than in a set of questions from Craig Hoy.

It seems only yesterday when you arrived—I cannot believe how fast the time has gone. What do you feel have been your main achievements as permanent secretary in that relatively short period of time, and in which areas do you feel that you could, and should, perhaps, have done better?

**John-Paul Marks:** I am into my fourth year in the role. Since 2022, I have served three First Ministers in my time as permanent secretary.

We worked with Ms Sturgeon and the team to ensure that we came out of the omicron peak. We then moved through the summer period, settling industrial action and ensuring, for example, that we balanced the budget but could expand the Scottish child payment to those under 16. That period was significantly disruptive, as we were still living through the pandemic. There were also other events such as the war in Ukraine and the standing up of our own resettlement programme in Scotland, including the procurement of two cruise ships for more than 3,000 refugees. Looking back on 2022, there is a lot to be proud of, and I am really grateful to the team.

One of the highlights—although it was, of course, a very sombre and sad time—was the delivery of operation unicorn. It was a privilege to work with the royal household and honour the late Queen, and to deliver the programme in Scotland with the Lord Lyon. I always reflect on that.

Thinking about my time working for, and serving, Humza Yousaf, we got the Verity house agreement in place, and I hope that that will be an enduring commitment to partnership between devolved and local governments. There have been moments when it has been under strain, but there are a lot of moments to be proud of, where we have made progress, as well.

Most recently, with Mr Swinney, we have reset the programme for government around his four priorities. We continue to take steps to try to bear down on child poverty and grow the economy, improve public services and make progress in moving to net zero.

Throughout my time as permanent secretary, there has been a set of shocks—coming out of the pandemic, double-digit inflation and war in Europe—and a set of reshuffles all to handle, but we have done that while seeking, at the same time, to improve the core capability of the Scottish

Government and to make progress on delivering and serving the Government of the day.

With regard to things that I would like to have done differently, I was at the Public Audit Committee just recently, saying, “Should we have been more radical on public service reform?” We have made good progress on our digital programmes, on workforce and on commercial, but there is no doubt that fiscal sustainability remains a risk; it is a high risk across all four nations. We therefore need to continue to find the opportunities to accelerate public service reform in order to reduce cost and deliver better outcomes for less. It will be important for the team to be always looking for those opportunities in the future.

**The Convener:** What should be the priorities for your successor?

**John-Paul Marks:** My role is very clearly defined, and the first priority is to serve ministers and the Government of the day. The First Minister has kindly been coming to talk to the senior leadership team of the civil service since he came back in as First Minister. We reflect on those areas where we are seeing good progress and improving outcomes, and where we are operating in a way that is accelerated and activist in the mode that the First Minister wishes. We also reflect on areas where we want to improve faster.

That first element, serving the Government of the day with impartiality and integrity, giving ministers honest advice—the best, advice that we can—

**The Convener:** But surely that is taken as read. To be honest, that is not really a priority for Government; it is just the nature of the position that you are in. The principle of serving the Government of the day would be taken as read wherever you were in the civil service structure, would it not? I do not want to put words into your mouth, but if you were Joe Griffin—if you were to remain in post—what three things would you like to see being achieved over, say, the next year or so?

**John-Paul Marks:** I touched on public service reform. If we are to continue to deliver better outcomes at lower cost, we will need to continue to find opportunities to transform public services. On digital programmes, for example, we have been discussing and developing common platforms and capabilities that can be reused across other public bodies. Lesley Fraser could say a bit more about that if the committee is interested in those programmes. Our aim is to ensure that such platforms and services can be reused and accelerated. With the growth in artificial intelligence, digital transformation will be a

fundamental enabler for public service transformation in the years ahead.

One aspect that I will continue to encourage the team to do in my final few weeks in post, and something that I will do in my next role, is nurture our capability to ensure that we reap the rewards as best we can. That translates into real-world outcomes, such as being able to roll out digital dermatology services so that people can get imaging and cancer diagnostics sooner, which will reduce cost in the acute system and enable people to get faster public services.

We must also consider the example of public bodies such as VisitScotland that have transformed their operating models to go online and provide digital services at lower cost. That will be one of the key accelerators in the next five years. As we have been discussing in the past couple of weeks, that will be an important priority for Joe Griffin and the team.

**The Convener:** We heard from the Public Audit Committee that around £280 million has been saved through reform over the past couple of years and that it is proposed to save £300 million over the next couple. You are trying to encourage and support empowerment in cost recovery and revenue raising through measures such as the tourism and cruise ship levies. In which specific areas have you saved money and how much has been saved? Will you give us one or two examples, as well as some examples of areas in which money is likely to be saved in the future?

**John-Paul Marks:** I see that Lesley Fraser has the relevant table in front of her, so perhaps she could walk us through it. It covers some of the aspects that I mentioned in my opening statement. For example, we have closed 10 buildings, public sector workforce control is in place and the civil service is getting smaller. Lesley, will you step us through the savings? That would be great.

**Lesley Fraser (Scottish Government):** Given the single Scottish estate, the work that we have done on our own estate is a good example of that. In the past couple of years, we have already saved around £6.5 million through closing buildings. We reckon that we will get another £10 million-worth of cashable savings and another £17 million-worth of cost-avoiding savings in the next couple of years, again through work on our own estate and closing buildings.

The national collaborative procurement arrangements are a good example of our work across the wider public sector. Those arrangements avoid costs for many public bodies across Scotland, from health boards through local authorities and out into parts of the third sector that provide public services. I will give a tangible example. In the most recent financial year, we

saved more than £37 million-worth on energy bills alone for the public sector in Scotland by taking a once-for-Scotland approach.

We are also providing capability in intelligent automation, and we have a centre of expertise within my teams, which work both within the Scottish Government and with public bodies.

One of the biggest current examples is the work with the Scottish Public Pensions Agency on implementing the McCloud remedy, with which members might be familiar. That is a huge enterprise requiring 60,000 pensions to be re-evaluated, which is five times more than the pensions agency would do in a normal year. Again, much of that can be automated. The pensions agency thinks that it will probably save costs for around 140 members of staff on that enterprise alone by using automation, where appropriate—obviously, with the right checks and balances wrapped around it.

That perhaps gives the committee a flavour of some of the areas where there are once-for-Scotland approaches but where it is also about having centres of expertise that can be deployed time and again across other public bodies, improving services as well as reducing costs.

09:45

**The Convener:** What about the civil service itself? We are advised through the latest public sector employment statistics that, since 1999, the number of devolved public sector jobs has increased by 16 per cent but that the number of total jobs in the devolved civil service has increased by 96 per cent. Since quarter 3 of 2019, the number of civil service jobs has increased by 40 per cent and the number of senior grade civil servants has increased by 500. What are all those people actually doing, and why has there been such rapid growth, relative to front-line services, for example? How much is it costing?

**John-Paul Marks:** You are describing, over that period, the creation of devolved Government and devolved services. If we take something such as Social Security Scotland, the devolution of social security benefits has meant the standing up of that agency and public body over the past few years, post the Smith commission. As you said, there has been a movement of capacity from the UK Government to the Scottish Government.

There has been a reduction in the total number of the core Scottish Government workforce. We have been trying to do that year on year. Since I have been perm sec, we have done a lot of insourcing of contingent workforce, so the overall number has come down. We expect that to continue. Ministers will set out more of their objectives with regard to workforce in the public

service reform publication that is to be published in the spring and in the fiscal sustainability plan.

We can look back to 1999 and the size of the public sector in Scotland then—I have the chart in front of me. There have been moments in the past when the public sector has been of a similar size, but there have been things such as the reduction in the number of registered social landlords and transferring out to the private sector; similarly, there has been a transfer of train operating companies into the public sector. There have been some pretty strategic structural changes in the way that the boundary has been drawn.

However, in terms of public service reform and digital transformation, you can see my expectation reflected in the data. The latest data on local government, for example, shows that it got marginally smaller. That was also true across the police, the fire service, and further education.

Some of the additional capacity that has gone into, for example, the national health service and the court system has been to try to drive down Covid-related backlogs. I referred to summary case management. Once that is rolled out, if it is successful and we continue to see the backlog in the justice system come down and be cleared out, there will again be opportunities for workforce savings.

That is monitored carefully. Mr McKee receives regular advice with regard to the size of the public sector and workforce control. I expect that the core civil service will continue to get smaller, but we are doing that as carefully as we can while delivering ministers' priorities at the same time.

**The Convener:** If we strip out the areas that you have touched on, such as Social Security Scotland and ScotRail, would the civil service workforce have increased or decreased over the past five years?

**John-Paul Marks:** I have here the data in relation to total head count going back to 2022. If we take the past four years, we see that it came down by 0.4 per cent in 2023 and 3.4 per cent in 2024; according to the latest published data, it is down by 2.7 per cent. We expect to finish 2024-25 down approximately 3 per cent. That is total head count across directly employed and contingent overall.

My expectation is that that reduction will continue. However, if we include things such as the Crown Office and Procurator Fiscal Service and the Scottish Courts and Tribunals Service, some additional capacity has been made available to try to reduce Covid-related backlogs. That is the civil service data that I have.

**The Convener:** You talked about how accountability for decision-making and the delivery

of outcomes has moved to a dashboard rather than a system of mandate letters, which is what the previous First Minister was keen on. How does that new approach support transparency and what are its advantages?

**John-Paul Marks:** The intent behind the mandate letters was to be very clear about the intent of the deliverables at the beginning of the year. In our annual report and accounts, we could then show the audit against those and provide confidence in relation to them. Over the past three years, we have done performance reports, and we will do that again with the latest accounts.

The dashboard is an improvement to that process whereby the Cabinet now meets with the executive team every other month and reviews the delivery of the deliverables in the PFG. Over 100 activities are funded through the budget and set out to the Parliament in the PFG. For each one, we ask accountable officers such as Gregor Irwin to assure us that they are funded and on track, that they have an owner and a milestone and, ultimately, that we are clear on the impact that they will have. We then share that with the First Minister and the Cabinet.

The dashboard allows us to see whether there are structural issues, which might mean that things are not progressing as they need to, or it might just be a particular programme where the team is struggling with capacity, funding or legislative competence. So, whether we are on track to deliver the PFG is made transparent to the Cabinet. We are committed to thinking about how we can put more of that information into our annual report and accounts. Having said at the beginning of the year that we would do X, Y and Z, we can ask at the end of the year, "Did we? Did we get the impact that we wanted as a result?" Of course, the PFG is developed by policy teams based on evidence. I hope that that will improve the Government's delivery capability.

**The Convener:** What you say is really important, if it is enacted. One of the key issues for the committee and one of its great frustrations has been that everything always seems to take much longer than was initially advised. For example, in December 2023, we sought information on the capital infrastructure pipeline. We were told that the pipeline would be delayed to the summer, and then to the autumn—blah, blah, blah. It will now be published this September, which is a 21-month delay. We were also told that the medium-term financial strategy was not published because of the general election. That will now be published this summer, and so on.

Nothing ever seems to happen on time or when originally advised, there do not seem to be any specific deadlines—it is always June, September or whatever—and there is never anything



particularly tangible. That causes frustration as weeks run into months and months run into years. Will there be more emphasis on pinning down those documents? It seems that their publication is derailed by almost anything that happens at Westminster, whether that is a budget or an election or whatever. We realise that those things are important, but it is almost a case of, "We have an election coming, so we will not actually deliver this." That causes great difficulty with regard to scrutiny.

**John-Paul Marks:** I think that the First Minister shared that frustration in the summer—I want to make sure that I get my years right. In the summer, having come back into Government as First Minister, he was all set to publish the green industrial strategy, the programme for government, the MTFS and a set of other artefacts. The advice that I provided to him was that he could not publish those documents. My view was that doing so could have risked influencing the general election and would have been contrary to the pre-election guidance and, therefore, would have been the wrong thing to do. That advice was ultimately agreed by the Cabinet and published. I agree that there was disruption in the summer, but it is not appropriate for the Scottish Government to publish a new programme for government during an election campaign.

On your point about, "Right—what is the plan for the year? Give us precise dates," Ms Robison has set out precisely her intentions with regard to the medium-term financial strategy and the sustainability plan, but if we can get any further certainty for the committee on exact dates, I am happy to do so.

**The Convener:** Why are those in two documents? Why is it not one document? Why is fiscal sustainability not in the medium-term financial strategy?

**John-Paul Marks:** As I said, I think that they will be published together. We are trying to respond to the challenge that the MTFS tends to be pretty strategic. It shows some long-term forecasts that are derived from assumptions from the Scottish Fiscal Commission and the Office for Budget Responsibility and budgets. It is important, but not necessarily sufficient, to provide confidence on the actions that will need to be taken to live sustainably within the funding envelope.

The intent is that the delivery plan sits alongside the MTFS, so you are not just looking at a set of forecast scenarios and seeing a long-run deficit, and having a debate about that; you are seeing what the Government's strategy is to ensure that it remains within balance. The latest accounts balance the books, and I am confident that the budget that the Parliament has just passed will, again, be balanced. In the long term, as the SFC,

Audit Scotland and others have set out, we are facing a set of pressures and challenges—as are all four Governments—and the Government will seek to set out in May what it is going to do about those.

**The Convener:** The committee recommended that consideration be given to civil servants working for the Scottish Government providing long-term insight briefings on the challenges facing Scotland over the next 50 years. In response to the committee's decision-making report in 2023, you highlighted horizon-scanning work that had already been undertaken in that regard, and you said that you would

"begin publishing reports of longer-term insights in the early autumn of"

2024

"to create a new resource for public bodies and partners in the third and private sector".

It is unclear whether that has actually happened.

**John-Paul Marks:** We caught up with the horizon-scanning team yesterday—we have established that capability in the strategy and delivery unit and the team is working on a set of technical briefings that are going to be published. Perhaps I can write to the committee with precise times so that—to go back to your point about milestones—we can give you that certainty.

We are determined that those reports should be published and that longer-term view taken, to give you the best evidence that we have on, for example, population trends and demographic shifts, such as the ageing population and dependency on the national health service and health and social care, and how that analysis is informing not only short-term policy decisions but longer-term strategy development. I am happy to provide the committee with the timeframes for that. My understanding from speaking to the team yesterday is that it is planning on those publications coming out ahead of summer recess.

**The Convener:** There is quite a difference between summer recess 2025 and autumn 2024—that is nearly a year. In 2023, it was going to be next year, and now it is going to be two years late.

That is one of the things that concerns the committee—the relentless slippage that we see. We are never told, "Oh, we said it was going to be June, but do you know what? We're actually going to publish it in May." It is always the other way round—it is always months and months, and sometimes years, behind schedule.

Is that not a bit of a failing, to be honest? A session of the Parliament is only five years, so, if there is a one-year delay, that is 20 per cent of the entire session. It is quite significant. If those documents are important—as you suggest that

they are—why has there been a delay of almost a year in their publication?

**John-Paul Marks:** I will have to go and have a look at exactly where the horizon team got to and at the timeframe for those publications. As I said, the last time that we had this conversation, we had a different ministerial team. We continue to ensure that we serve the latest Government, so we have reset our PFG and our budget, and there has been a set of changes. However, I will check to see where the horizon team got to last autumn and to what extent any of the analysis that is to be published has fed into the budget process.

I take your point—the last message was that publication would be at the end of 2024, and it is now more likely to be quarter 2 of 2025. The delay is frustrating, and I apologise for that.

**The Convener:** The ministerial team has not changed that much, to be perfectly honest—John Swinney's team is much the same as Humza Yousaf's team.

Milestones are really important. In relation to public sector reform, you have talked about a figure of £300 million over two years. It would be great if we had milestones within that two-year period, so that there is not a sudden big bang in two years' time. Two years from when, exactly? Is it two years from 1 January or from 1 April?

**John-Paul Marks:** The PSR benefits are in financial years.

10:00

**The Convener:** I thought so, but it is good if those things are pinned down and explained. That is a simple, straightforward explanation, but it is good to have milestones saying where we expect to be after one quarter, six months or nine months. That way, for transparency, we have a clearer picture of whether the Government is on track and how much it is saving.

Colleagues are keen to come in, but I want to ask you one more question, on financial memorandums. It is important to acknowledge that progress has been made on financial memorandums, but the committee has had a number of concerns about the financial memorandums that have been presented to us. They have been considerably out of date, frankly, and that has had significant implications for costings and, ultimately, our scrutiny.

A number of members' bills have come to us, and I am wondering about the change in guidance. You have said that

"the Scottish Government should proactively write to the Committee as soon as it becomes aware of any significantly revised figures (including margins of uncertainty) for FMs during Stage 1 of a Bill's passage."

Will that apply to members' bills as well as to Government bills?

**John-Paul Marks:** If that is the committee's preference. Let me check with the parliamentary legislative team on the precise process but, if there is a member's bill on which the committee wants assurance regarding our analysis of cost benefit, and if we are able to provide that, I am happy to look at that. I would need to double-check the existing protocol and, if that is a change, whether ministers are content with that.

**The Convener:** It seems that that would be more consistent. For example, Douglas Ross came before us last week and he accepted that the financial memorandum for his Right to Addiction Recovery (Scotland) Bill needed updated. He said that he would come back to us with an updated financial memorandum. It would be good if that was *de rigueur*, and if it was expected that any financial memorandum would be updated where there was significant change and, perhaps, brought back to the committee as necessary.

**John-Paul Marks:** Yes. Generally, as a principle, we want the Parliament to have the best information possible on the costs and benefits of all legislation, whether it be a Government bill or a member's bill.

Jackie, do you want to add anything about the process?

**Jackie McAllister (Scottish Government):** We can certainly look into it. The guidance that is published as part of the Scottish public finance manual—the SPFM—applies to Scottish Government bills and Scottish Government administration but, as the permanent secretary has outlined, that does not mean that we cannot consider how that could be expanded. We would need to take that point away and come back to the committee on it.

**The Convener:** Thank you for that.

**Liz Smith (Mid Scotland and Fife) (Con):** Good morning, permanent secretary. Following on from your previous appearance, I wonder whether I could ask you about what the committee considers to be a very important issue: public sector reform. We are all agreed on the need for public sector reform, and one of the most important things is the size of the public sector and how that plays out in the Scottish Government budget.

The other part of that, which you have been discussing with the convener, is the head count in the core civil service. When it comes to determining the size of the core civil service, is that decision made by the First Minister or by you, as permanent secretary? Is it a minister? Who

decides on that? Last time, we were left a little bit in the dark about that.

**John-Paul Marks:** Ultimately, in terms of the head-count strategy or plan for the core civil service, the team meet Mr McKee on a regular basis—multiple times a month—to discuss our workforce, controls, our latest numbers and next steps.

The First Minister and I have discussed the strategy—for example, he has appointed Mr McKee as Minister for Public Finance—and he is very happy with the level of engagement between the civil service and ministers on ensuring that the control framework that we are putting in place to reduce the size of the civil service is as ministers wish. I should say that there is not a total freeze on recruitment, but we are recruiting only by exception, having exhausted all other options. As I said, we are, given attrition, getting smaller month on month.

**Liz Smith:** That was helpful, and Mr McKee has given the committee a good outline of that, too, but just to be absolutely clear, who is the final decider of the number of people in the core civil service? Is it Mr McKee, as minister; you, as permanent secretary; or the First Minister?

**John-Paul Marks:** It is the subject of dialogue and agreement among us. At the moment, the First Minister is clear what the strategy is, and Mr McKee and my team are working regularly and constantly on the precise number. In the spirit of honesty, I should say that we do not have an exact year-end target for what the number should be, because we do not have total control over things such as levers, attrition and the like. What we are trying to do, at every single opportunity, is optimise the size of the civil service. If someone can leave without our having to replace them, we will not replace them. We are continually trying to reduce the size.

When I first arrived in this job, I was presented with a workforce plan that would have seen the Scottish Government increase by a head count of 2,000. In the first year, I said, “We’re not doing that,” and we stayed broadly flat with some insourcing. We have accelerated that, and the figure has come down every year since.

Ultimately, I am accountable for the civil service head count and the workforce, but I am accountable to ministers. I see the First Minister every Tuesday morning, and my team meets Mr McKee very regularly. We are moving through a discipline that is new in devolution. Basically, the workforce was going up and up, as the convener described, but, since I have been permanent secretary—and I think for the first time ever under devolution—the overall workforce of the core civil service has got smaller each year. We are doing

that through dialogue week on week and month on month, although we recognise that we might get some massive spike in activity again and will need to bring in capacity. However, that is not our plan. The final point is that we are trying to do this in alignment with our total operating cost budget.

**Liz Smith:** When you made the decision not to progress with the 2,000 that you mentioned, on what criteria did you make that judgment? Was it something that you decided, or was it something that was open to discussion between the First Minister, yourself and Mr McKee?

**John-Paul Marks:** Back in 2022, it was open to discussion. At that stage, that discussion was with Ms Sturgeon and, more to the point, with Mr Swinney, who was Deputy First Minister at the time and in the finance role that Ms Robison has just now. One of the clear asks of me was to establish more financial control in the core Scottish Government. We—that is, Jackie McAllister, I and others—have stepped through a set of programmes on financial control, accountable officer assurance, and workforce management and planning. Those are all core capabilities that, at that time, did not exist to the same level of consistency as they do now.

**Liz Smith:** So, we could add that to your successes in your term of office, to go back to the convener’s earlier question about what you see as achievements.

**John-Paul Marks:** It is not massively popular—well, it depends on whom you ask, I suppose—but it is important, because every pound matters. The thing that we have worked really hard on—and we have balanced the budget, despite double-digit inflation and all the challenges—is trying to coach that culture. Workforce control is fundamental. Coming from Jobcentre Plus, I know that workforce control is just a fundamental, business-as-usual competence. I think that we have established that.

**Liz Smith:** That was helpful. You will understand why I am asking these questions. This committee has the important job of scrutinising the Government’s budget, and, when it comes to the size of the civil service and the efficiencies that you are making, there is a bit of a grey area with regard to scrutiny, because we like to know that any decisions made are designed to improve outcomes. That is the key thing.

**John-Paul Marks:** Yes.

**Liz Smith:** I will finish on another point. Parliament has seen a considerable increase in the number of what we call framework bills. The final decisions on what things will look like as a result of those bills are often away in the future and the picture is not very clear during our scrutiny process. That has led to some tensions within the

public sector workforce. Do you think that the number of framework bills that go through Parliament is an issue? Should we be trying to reduce that number so that we have better scope for scrutiny and can keep a firm hand on it?

We have had a lot of framework bills, particularly in the past three years, and alongside that there have been difficulties with their financial memorandums. The more framework bills that there are, the more likely it is that it will be difficult for us to consider the detail that should go in the financial memorandum. Do you think that that is a worry for the Parliament?

**John-Paul Marks:** I remember discussing this issue with you and the committee before. We have tried to improve our financial memorandum capabilities in the past year. Jackie McAllister might say a bit more about that, if that is okay.

I absolutely understand the point. We have stepped through some examples of that—the Police (Ethics, Conduct and Scrutiny) (Scotland) Bill, the Care Reform (Scotland) Bill and a few others. I can understand the desire to take powers and have flexibility. On the one hand, that enables you to iterate on the basis of evidence and experience in a live environment, knowing that you have the competence to effect change. Having an agile way of seeking to effect public service reform is empowering, and I have seen it done well before with welfare. However, as you say, it creates uncertainty about cost and benefit.

Having checkpoints and moments to be able to return to Parliament to have that debate matters, but also, clearly, we still need to try to do our best to provide you with scenarios on cost and to offer the best information. We have been trying to work with our parliamentary unit on responding to that challenge, and I know that the minister has written to the committee.

Jackie McAllister can say something else on financial memorandums and the work that we have done.

**Jackie McAllister:** It is worth noting that we try to ensure that, wherever possible, framework bills have robust financial estimates and that where there is uncertainty, a range is provided for the estimates. We engage regularly with the parliamentary legislation unit and the committee clerks. We are live to that issue and are trying to do everything that we can to mitigate it.

We touched on the financial memorandums earlier. We refreshed the Scottish public finance manual only last week, and we have been doing a lot of work recently to provide training and guidance. We have regular engagement with bill teams, and, when a bill is in the pipeline, we talk to the team at a very early stage. We work with them to understand how we can best present the most

accurate costs and how we can quantify risks, so that, where it is necessary, we put in ranges.

As we spoke about earlier, there is also the update of information, which ensures that, where there is a significant change, Parliament is advised of that as early as possible.

**Liz Smith:** That is helpful. The reason for the framework bill process is to engage effectively with stakeholders on the bill before it is presented in full to Parliament. The more that stakeholders are involved, the more you feel that there is credibility to your bill.

The problem is that our experience has proven that, for a framework bill that is at an early stage, it is almost impossible to get the right idea of the costs from the financial memorandum. I am interested in hearing from the permanent secretary whether the Parliament should be reviewing that difficulty in getting accurate costs as a potential problem.

**John-Paul Marks:** That is a fair challenge. The Climate Change (Emissions Reduction Targets) (Scotland) Act 2024, which passed Parliament unanimously last autumn, reset a set of targets that had previously been legislated for but were not feasible and their costs were not affordable. That was put right in the end, and Parliament looked at the evidence. That act was well judged, and it has enabled Scotland to get on to a sustainable and feasible trajectory on net zero compared with what was previously in place.

We need to ensure that the quality of debate is informed by the evidence such that, when you legislate, you are confident that the country can afford it and, as you said, that it will achieve the outcomes that Parliament wants. We will continue to do all that we can to offer ministers the best advice and to support Parliament and the scrutiny committees in that regard.

10:15

**Michelle Thomson (Falkirk East) (SNP):** Good morning. Picking up on Liz Smith's question, it is helpful to hear you articulate that you have ultimate accountability for head count in the civil service. It might be an idea if that were cascaded more thoroughly through the estate. I recall having a debate in Parliament not long ago, in which other parties—including Liz's party—were condemning the Scottish Government for head count. However, given that you have ultimate accountability in reality, that seems unfair. It might be worth cascading that knowledge throughout all the civil service and, indeed, all the political parties.

**John-Paul Marks:** I am happy to meet colleagues and have that conversation.

The point that I was trying to get right is that those three accountabilities that I have—to advise and serve ministers, to be the principal accountable officer and to lead the civil service—include being steward of head counts. Of course, I am doing that within a budget envelope that has been voted for by Parliament and tabled by ministers.

I am not a unilateral actor. I am doing that through a dialogue, preferably with an agreed strategy. I want ministers to be happy that their civil service is serving their interests and their objectives. However, there are also core functions, such as paying benefits or ensuring that we have enough mariners to staff our vessels and keep our seas safe, and some fundamentals that we need to do to maintain the operational competence of the civil service.

**Michelle Thomson:** I see that there is clearly the potential for tension in relation to the elected role of ministers.

You will know that the civil service's total operating costs have routinely been overspent by around 10 per cent in recent years. If ministers have limited potential to do something about that—it is a dialogue-type situation—but you retain ultimate accountability, that would seem to be a problem.

**John-Paul Marks:** The total operating cost is mainly a function of head count and pay, so it is mainly a pay bill. Ministers agree the pay deal and, as I say, we agree the control framework for the size of the civil service.

One of the reasons that, in recent years, the top budget went up more than was forecast was inflationary shock and the pay awards being higher than what had been forecast. One of our responses to containing TOC is to reduce the size of the civil service and to reduce our contingent workforce, which actually costs more per unit than the civil servants do. We have reduced our contingent workforce by around 1,000 from what it was—we have more than halved it, but there is more to go there. There is still opportunity, but the dialogue on TOC and workforce with ministers is regular.

**Michelle Thomson:** Dialogue is fantastic, but the committee will look at ultimate accountability. It sounds like that area is worthy of a future look to understand the implications of that for democratically elected ministers and in-post civil servants.

I want to move on. I have a few further questions, so please bear with me if I interrupt you.

**The Convener:** I will.

**Michelle Thomson:** I know that you will, convener. I meant the permanent secretary.

**John-Paul Marks:** I will be brief.

**Michelle Thomson:** I have questions relating to the Scottish Government's responsibilities as an employer and potential exposure to costly legal action. It cannot have escaped your notice that quite a few—the list is piling up—public bodies are falling foul of overreach on gender self-identification, despite that not being the law.

I have a quick yes or no question first. I assume that you have overall responsibility for ensuring that the Scottish Government, as an employer, complies with the law.

**John-Paul Marks:** Yes.

**Michelle Thomson:** Good. Thank you. What percentage, roughly, of the overall head count of the civil service are women? It will help me with my figures.

**John-Paul Marks:** More than 50 per cent.

**Michelle Thomson:** Okay. As we know, women have specific considerations, whether it is pregnancy, maternity leave or menopause and so on. In the civil service, what groups are in place to represent women's voices in particular?

**John-Paul Marks:** We have a number of staff networks, including networks to represent gender and women's interests, and we will ensure that we are listening to feedback.

On the breakdown of our workforce, Lesley Fraser has various diversity data. We have a diversity and inclusion strategy. As you have said, we have taken steps to assure ourselves that we are providing all the right flexibility and support that we should under the Equality Act 2010 and the Workplace (Health, Safety and Welfare) Regulations 1992.

That also comes down to culture and ensuring that we are being—

**Michelle Thomson:** I will come on to that. Can I assume, then, that one of the groups that you have referenced is the women's development network?

**John-Paul Marks:** Yes—

**Lesley Fraser:** There is the women's development network and a minority ethnic women's group as well.

**Michelle Thomson:** Is it in the public domain that the women's development network allows men to self-identify as women?

**Lesley Fraser:** That probably brings us to our trans and non-binary policy, which is there to enable all our colleagues to operate in a way that

gives us, we hope, an inclusive and welcoming culture. That includes recognising those colleagues who identify as trans, for example.

**Michelle Thomson:** I suspect that we will probably go on to that. A freedom of information response that was released on 31 January 2025 notes that

“the Women’s Development Network aims to create a supportive platform and level-playing field for women (and those who identify as women)”—

that is, self-identification. Is the Scottish civil service allowing self-identification in other areas, despite that not being legal?

**Lesley Fraser:** It is difficult to discuss that in a hypothetical way.

**Michelle Thomson:** I have actual examples—I could perhaps help you if you cannot think of any. Might you be forgetting about changing rooms and toilets, Lesley, which you referenced? The trans and non-binary equality and inclusion policy, most recently re-issued in 2023, states that

“trans staff should choose to use the facilities they feel most comfortable with”—

in other words, that they self-identify into. Do you accept that that means that any facilities—for example, changing rooms and toilets—that are stated as being for women only in the Scottish Government are therefore, in practice, mixed sex?

**John-Paul Marks:** Taking St Andrew’s house as an example, we have men’s toilets, women’s toilets, men’s changing rooms and women’s changing rooms, and lockable, enclosed, single spaces are available, too. We try to create an inclusive culture where everybody feels safe at work. In my experience and time as permanent secretary, not a single complaint has been escalated to me, nor has there been an instance where that has been a problem.

It is quite a rare occurrence for the civil service in the Scottish Government, but, if a trans colleague wants to get changed at work and they self-identify as a woman, it is possible for them to get changed in an enclosed, lockable, isolated space, and/or to use changing rooms, which in themselves have lockable, enclosed cubicles.

We are talking about a tiny minority of colleagues. I have never had a complaint raised with me, and we have tried at all times to assure ourselves that, first, we are lawful—of course—under the Equality Act 2010 and the workplace regulations and, secondly, that we are creating a culture that is kind, inclusive and safe for people. We have been working our way through that as carefully as we can, but if there are instances of concern that you want to write to me about, I can look at them and come back to you. That has been my experience—

**Michelle Thomson:** This is where I am coming from. You mentioned the Workplace (Health, Safety and Welfare) Regulations 1992, and I think that you recognise that there is an obligation to meet those regulations over and above the Equality Act 2010. You have referred to the fact that those regulations state that there must be “separate” toilet facilities “for men and women” except where each toilet is in a separate room lockable from the inside, and separate changing rooms where needed “for reasons of propriety”.

Are you completely 100 per cent comfortable that you are working within the 1992 regulations? Indeed, it might be useful for us to know how many of the facilities meet the requirements of those regulations, relative to the number of women in the civil service. Are you completely certain that you are meeting the 1992 regulations, which require that each toilet is in a separate room that is lockable from the inside?

**Lesley Fraser:** We have 63 buildings in the Scottish Government estate, owned and leased, and those buildings all contain a range of choices for people—just as the permanent secretary has set out—appropriate to the requirements of the workforce there. We have headquarters buildings such as St Andrews house, where staff are mainly office based, but we also have facilities for our mariners, agricultural teams and so on. The facilities are always appropriate to the requirements.

We always take very seriously our responsibilities as an employer to ensure that we are meeting the 1992 regulations. Indeed, wherever we possibly can, we go over and above that to offer a range of choice of facilities.

**Michelle Thomson:** So, the only facilities that provide a reliable alternative to de facto mixed-sex provision are fairly limited, by definition—

**Lesley Fraser:** No—we generally provide cubicles that are lockable for an individual.

**Michelle Thomson:** They should be not just lockable, but stand-alone.

**Lesley Fraser:** Yes.

**Michelle Thomson:** You have not quite answered my question. Are you 100 per cent sure that you are operating within the 1992 regulations and that the Scottish Government will not be another public body that will potentially be subject to a costly legal case? It would appear that many bodies remembered about the 2010 act but forgot about the 1992 regulations.

**Lesley Fraser:** It is an area that we absolutely keep under regular review. We have looked at the issue recently to satisfy ourselves that we have appropriate provision in place, as I said, with choice wherever possible for our colleagues, and

we are satisfied that we are meeting our requirements.

Of course, we will always keep a watchful eye on the latest legal position and on any changes coming through from the courts, for example, and we will review again in the light of any significant changes in that regard. We will do that as an employer in respect of all our policies.

**Michelle Thomson:** Are you reassessing your legal advice just now, in the light of the number of cases that are coming out of public bodies, to ensure that the employment law element of it is absolutely on point? Are you actively doing that at the moment?

**John-Paul Marks:** You would expect, given the latest debates around NHS Fife and the Supreme Court case, that the questions that you are asking are questions that we have asked ourselves in order to assure ourselves. One thing that I wanted to go back and look at is whether there has ever been a similar case in the Scottish Government that has been of concern and that we have had to learn from. However, in three and a bit years, I have never had a complaint raised with me.

10:30

We are seeking those assurances so that we can be clear that under the Equality Act 2010, the 1992 workplace regulations and our own policies on inclusion sit the principles of enclosed, lockable, separate and choice. Those principles are at the heart of our policy, and we are trying to create a safe and respectful environment where everybody feels safe at work. If a concern is raised, we will respond to it in a person-centred way, listen carefully to understand the issue and respond accordingly.

Clearly, it is a very sensitive debate. There are two live legal cases—so, as Lesley Fraser said, we will await any legal judgment and, if we have to make some adjustment to our operating practice, we will do so. Our current view—on which we have assured ourselves—is that we are doing everything that we should do lawfully and in compliance with our various duties, including the workplace regulations. We will continue to be vigilant about that.

**Michelle Thomson:** I have a couple of quick questions.

Earlier, we mentioned the trans inclusion policy. I want to note that the equality impact assessment on that seemed to be heavily skewed towards LGBTI groups. The EqlA states that four other protected characteristics—disability, age, sex, and religion or belief—are relevant to it, but none of those groups were represented in the process of developing that EqlA. Six out of 10 places in the

steering group, other than the lead official, were set aside for staff who represented LGBTI interests. Is that weighting representative of how you normally try to meet the public sector equality duty?

**John-Paul Marks:** The diversity inclusion team, the strategy and the way in which we work seek, by definition, to be inclusive of everyone. We have a lot—

**Michelle Thomson:** Then why would they exclude representation of those other four protected characteristics?

**John-Paul Marks:** Lesley, do you have any more detail on that?

**Lesley Fraser:** I do not have that detail.

**Michelle Thomson:** It would be useful to understand the relative weighting in the development of a multitude of EqlAs and how you assess that all protected characteristics are recognised.

I have a final question on a completely different area—before the convener interrupts me. There was quite a spat between you and the Scottish Information Commissioner over FOI 193/2024, which was to do with James Hamilton's report. I want to assure myself about whether there were any other lingering issues that might come back to bite Joe Griffin in the future. In the light of all the outstanding freedom of information requests, if the Scottish Information Commissioner were here, would he describe himself as content with the status of all the FOIs before you move on from the Scottish Government?

**John-Paul Marks:** I am not sure exactly what the commissioner would say. However, I meet the commissioner regularly. We have worked really hard to improve FOI transparency and records management. It is one of the core competencies, like workforce management. We regularly respond to 95 per cent or more of our FOI requests within 20 days.

I have met the commissioner to discuss the historical Hamilton review. His predecessor came in to the Scottish Government and went through that report line by line, including the redactions, and published his own report to assure himself that all had been done in the right and proper way.

**Michelle Thomson:** I just wanted to check, before you move on and Joe Griffin comes in, for his sake, that there are no stink bombs awaiting him in the form of outstanding actions from the Scottish Information Commissioner.

**John-Paul Marks:** No—not in relation to the Hamilton review. FOI often presents bumps in the road, but that is the point of having transparency,

and we do everything that we can to fulfil all our duties in relation to it.

I think—my principal private secretary will nudge me if I am wrong—that Joe, the commissioner and I will sit down and go through a handover together before I move on.

**Michelle Thomson:** That is useful to know.

**John-Paul Marks:** It is important. We want to get it right for transparency and trust.

**Michelle Thomson:** Thank you.

**Michael Marra (North East Scotland) (Lab):** Thanks for your evidence so far, permanent secretary. You began by saying that the Government has a good track record of balancing budgets. What is it about the past three years of emergency budgets that leads you to that conclusion?

**John-Paul Marks:** Forgive me. When I said “good”, I was talking about the fact that we have balanced the overall budget. A couple of weeks ago, I was honest with the Public Audit Committee that that has been difficult to do. In the year that we came out of the pandemic, there was a big reduction in Covid consequentials, and pay deals were above the forecast levels. We balanced the budget, although it was very tight. The same was true the following year, when we had double-digit inflation. The budget was looking very tight this year, but, as you know, following the UK general election, the chancellor’s significant shift in public investment strategy led to in-year consequentials being higher than we had assumed they would be, so we are on a good track now, with no ScotWind drawdowns.

Going back to transparency, where we have had to take in-year interventions to reduce expenditure against the authority of the budget that was voted for, ministers have received advice and have openly set out their decisions. That has led us to prioritise money for the resettlement of Ukrainians in 2022, for example—something that we did not foresee we would need to do—and for additional resources for pay deals, in order to bring industrial action to an end, particularly in 2023-24, when inflation was higher than had been forecast.

Overall, the discipline of balancing the budget is good. However, I agree that emergency budget interventions in-year are disruptive, and we prefer not to have to make them.

**Michael Marra:** It is a bit of a stretch, really. We have had three years of significant interventions at the midpoint to rebalance the budget. Let us talk about the most recent intervention and the public sector pay policy. Did you advise the Government to set the policy at 3 per cent?

**John-Paul Marks:** We have just published the pay policy for three years. If I recall correctly, we have set the envelope at 9 per cent over three years—3 per cent each year—which was seen to be aligned with, or slightly above, inflation and is, therefore, a realistic objective.

**Michael Marra:** That is for 2025-26 and the subsequent years, but you said that it should be 3 per cent for 2024-25. Was that not completely out of line with the rest of the public sector pay awards at the time?

**John-Paul Marks:** Forgive me—I would have to go back and check what the exact assumption was for the budget for 2024-25.

**Michael Marra:** I can tell you—it was 3 per cent. Is that correct?

**Jackie McAllister:** Yes.

**Michael Marra:** The public sector pay policy was not published and was not provided to the Scottish Fiscal Commission. Did you advise the Scottish Government not to provide the SFC with the public sector pay policy?

**John-Paul Marks:** I would have to go and check. That was not specific advice from me, as an individual. We are talking about 2024, which was the year of the UK Government election, and I suspect that uncertainty was part of the challenge. As you know, the recommendations of the pay review body that were published in summer 2024 were much higher than we had expected. At that point, there was industrial action across the UK and the previous UK Government had been very determined to keep public sector pay—

**Michael Marra:** But, at that point, the OBR was projecting a far higher figure than 3 per cent. The Scottish Fiscal Commission projected 4.5 per cent, because the Scottish Government refused to provide it with the public sector pay policy. After the committee put pressure on the Government to do so, it eventually published the public sector pay policy in May last year, and that showed that there was an assumption of 3 per cent. Was that assumption of 3 per cent not completely unrealistic?

**John-Paul Marks:** In hindsight, it was. You are right. It was optimistic—or unrealistic.

**Michael Marra:** It is useful to have that comment.

Since then, there has been some evidence that, beyond its being seen as unrealistic now, it was known to be unrealistic at the time, because the external environment made that clear. One of the cabinet secretaries, in evidence to the Net Zero, Energy and Transport Committee on 14 January, talked about conversations being had in Cabinet about the challenges around public sector pay and



their being recognised. Why would you, as the chief financial officer for the Scottish Government, believe that a public pay policy of 3 per cent—a policy whose bandwidth amounts to over 50 per cent of the entire £60 billion-odd budget—was a reasonable assumption at that point?

**John-Paul Marks:** Back in the spring of 2024, a lot of effort was being put into trying to contain pay awards across the UK. In fact, in the last year of the civil service award, the increase was 2.7 per cent, I think, which is below 3 per cent. A determination to get inflation down and contain public sector pay was the fiscal strategy of the UK Government under Rishi Sunak. Then there was an election, pay review bodies came back and an additional around £10 billion was invested in public sector pay awards by the UK Government, which triggered consequentials for Scotland and led to our being able to do the pay deals that we all know about.

**Michael Marra:** The Scottish Fiscal Commission clearly disagreed with you in its analysis. It made an assumption of 4.5 per cent in the guidance that it provided to the Government on the structure of the budget, and it did so after the Government's complete refusal to publish or to provide it with a public sector pay policy that accounted for 50 per cent of the national budget. Should there not be a dialogue between the Scottish Fiscal Commission and the Government on that specific point? That is why you are meant to provide the documents.

**John-Paul Marks:** Yes, and we have now—

**Michael Marra:** So, you admit that that was an error and that it should not have happened.

**John-Paul Marks:** We have published a three-year pay policy, and, if I recall correctly, we did the same last May—we tried to set out a long-term trajectory on public sector pay. However, in the context of a UK election and high inflation, our pay policy was to try to contain pay awards, because, as you have said, the exposure of a bigger public sector and a higher pay bill creates sustainability risks.

**Michael Marra:** I am trying to get to the overall approach that you have taken to the budget, in combination with the Cabinet and the First Minister, and I suppose that what this points to is that it feels like a paper exercise. Over the past three years, you have been setting a budget that contains some known false assumptions, waiting until the middle of the year and hoping that something comes along to bail you out. Would that be a fair characterisation?

**John-Paul Marks:** I do not think so, no.

**Michael Marra:** It is essentially what the SFC's work on sustainability is pointing to as well.

Okay. I will leave that there and ask about higher education. Where in your risk register does the exposure of the higher education or university sector to international volatility sit?

**John-Paul Marks:** We have a corporate risk register that our audit committee looks at quarterly, and Audit Scotland attends those meetings. We have a risk, generally, around the sustainability of systems—it could be in higher education, but it could also be in transport or health. The specific risk with regard to education sits with the Cabinet Secretary for Education and Skills and the accountable officer, and they have a risk register in their portfolio that covers the sustainability of higher education institutions, in respect of which there is a set of factors, including the global factors that you have mentioned, inflation, migration factors and so on.

**Michael Marra:** Would you say that the risk is high?

**John-Paul Marks:** Yes.

**Michael Marra:** And has it increased in recent years?

**John-Paul Marks:** Yes.

**Michael Marra:** So, what is your advice to ministers on what they should do about that?

**John-Paul Marks:** Obviously, there is a specific context to this with regard to the University of Dundee. Ministers have—

**Michael Marra:** I will come to Dundee in a minute. I am thinking about the sector-wide issue.

**John-Paul Marks:** The Scottish Fiscal Commission ultimately seeks to provide the stewardship of the system. What we can see is a number of institutions that are balancing their budget—

**Michael Marra:** You mean the Scottish Funding Council rather than the Scottish Fiscal Commission.

**John-Paul Marks:** Sorry—yes. The Scottish Funding Council—another SFC—provides the stewardship of the system.

10:45

It goes back to your point about the hard choices in the budget on pay, higher education and social security. We have been doing the best that we can, with the envelope that is available, to ensure that the funding for the SFC is there, but we absolutely recognise that the University of Dundee is the most intense example of that challenge. As you say, a set of global factors are challenging higher education. At the same time, we have a set of institutions that have balanced budgets.

To go back to the point about public service reform, it is about ensuring that the right choices are being made.

**Michael Marra:** You recognise that risk and volatility have increased in recent years. You talk about the quantum, but there are lots of other factors, such as the way in which the sector is organised and the different business models that the Scottish Government imposes. Is the funding sustainable in its current form, and is the risk proportionate?

**John-Paul Marks:** It depends on which institution you are talking about.

**Michael Marra:** I am not talking about an institution; I am talking about the sector.

**John-Paul Marks:** That is my point. In the sector, there are institutions that have balanced budgets, that are sustainable and that are world class. However, some institutions that have been hit by global shocks—which you mentioned—to, for example, international student numbers and inflation have had a higher exposure to those shocks and have lower reserves, so they are at risk.

Let us be honest: it is true across a lot of systems, whether we are talking about councils, health boards or higher education, that the impact of the shocks is creating pressure. That includes pressure on the Scottish Government's budget.

**Michael Marra:** Are there on-going discussions about the sector-wide issue?

**John-Paul Marks:** Yes, there are.

**Michael Marra:** On the specifics of Dundee, there is a separate set of circumstances—there is the sector-wide issue and then there is the grotesque incompetence of the management on top of that. I am interested in what you think the options are for Government intervention. Have you given advice to ministers about their legal options and what they can and cannot do to intervene? Will you set out what those options are?

**John-Paul Marks:** If I am getting this right—forgive me if I am not—Universities Scotland and the Scottish Funding Council are giving evidence to Parliament tomorrow. That will be an important opportunity for scrutiny of their financial recovery plan and of what they intend to do.

We have given advice to ministers on the SFC and on the in-year liquidity support that it can provide to the University of Dundee. Of course, ministers want to see that recovery plan put in place in a way that secures the future of the university, protects jobs, protects students and sees the university get back on a good track. However, you are right—there is a set of legal constraints in relation to what they can do. We

provide advice to make sure that they always operate in a proper and regular way.

**Michael Marra:** Will you illustrate what those legal constraints are, please? You have talked about liquidity and financing within the limit of what you think is possible. What is that limit? How far can ministers go? It would be potentially catastrophic to my home city if the institution were to go under, which is still, I think, a very live risk. Locally, people do not feel that the Scottish Government's response has been proportionate to the size of that risk, to put it mildly. What options do ministers have to act?

**John-Paul Marks:** First of all, ministers would agree with your description of the importance of the University of Dundee to Dundee and the importance of getting this right.

I have mentioned liquidity and the role of the SFC, and there is emergency sectoral funding. It goes back to your point about setting the budget and then responding to events. As accountable officers, we need to ensure that ministers proceed in a way that is proper, regular and affordable and that represents value for money. What they are considering must be lawful, so there is a set of constraints in that regard. As you would expect, there is a lot of intense engagement going on with the SFC—you will hear more about that tomorrow—but, ultimately, the university needs to put in place a long-term recovery plan. I am confident that ministers, working with the SFC, will do everything that they can to ensure that the University of Dundee is—

**Michael Marra:** I do not feel particularly enlightened about the options that are available. Locally, people are asking why the Government cannot make a more significant intervention. I think that your answer to that question is that the constraints on public finances affect the options in that regard.

I am particularly interested in the legal restrictions on what ministers can and cannot do to support this independent institution. Can you say more about that?

**John-Paul Marks:** Ministers need to ensure that they are acting in a way that is consistent with the propriety and the structure around the SFC and the sector. There is a set of legal constraints around direct intervention on the part of the Government—we have previously had conversations around things such as the direct award of ferry contracts, subsidy control and ONS classification. There are various factors that need to be taken into account. However, I assure you that the First Minister and the cabinet secretary are totally focused on understanding all the options available to them and are working closely with the SFC.

**Michael Marra:** My final question is about a separate issue that you mentioned. On Ferguson Marine, did you advise ministers that a direct award of the small vessel replacement programme to a Scottish yard would not be legal?

**John-Paul Marks:** Yes.

**Michael Marra:** Were you aware that the business plan of Ferguson Marine—a nationalised yard—for the period to 2029 that was provided to ministers last June included that direct award?

**John-Paul Marks:** Obviously, a direct award would have been the preferred option of the yard, and we looked at that carefully. The yard has a number of opportunities in terms of its future development and commercial operations—Gregor Irwin can say a bit more about that. I was at the yard a couple of weeks ago and I know that the business plan is being developed. For example, the commercial arrangement that the yard has with BAE is progressing well, and there are also opportunities—

**Michael Marra:** I will interrupt you there, in the interests of time. My question relates to the business plan that was presented last year and, as was reported this morning, was agreed by the Deputy First Minister, Kate Forbes. It stated that the yard was planning for a direct award of that contract to be made ahead of 2029, and that that was critical to its business plan. Were you aware that that business plan was approved by the Government?

**John-Paul Marks:** I will ask Gregor Irwin to say a bit more.

**Gregor Irwin (Scottish Government):** We would need to look at that specific question further. There was certainly a lot of discussion between officials and yard management at that time about what assumptions it would be appropriate to make regarding direct awards. The view of the Deputy First Minister, supported by officials, was that the making of any direct awards would have carried substantial risks and uncertainties, which would not have been in the interests of the yard itself or of the island communities who require to be served by those vessels.

**Michael Marra:** Thank you for that, but it sounded like there was clarity and certainty in the permanent secretary's answer: he said that the advice to ministers was that a direct award would not be legal. When was that advice provided?

**Gregor Irwin:** I would have to check the precise dates.

**Michael Marra:** Do you think that it was prior to June last year?

**John-Paul Marks:** I genuinely cannot recall the precise dates from last year, but we looked at direct award, subsidy control and the commercial market operator test, and we were of the view that, if a direct award were attempted, it would be subject to legal challenge and the likelihood would be that the challenge would be successful.

**Michael Marra:** Mr Irwin?

**Gregor Irwin:** There was a period of active consideration of the options around about June, but we would need to come back to you with the specific dates. One of the key issues that we were thinking about was the vulnerability to legal challenge and the uncertainty that that would create for both the yard and island communities, if the whole process—

**Michael Marra:** You understand where I am going with this. We have a nationalised yard, under the control of ministers, that produces a business plan that says that it will have a direct award, while the civil service is telling the Government that a direct award would be illegal. The Government has agreed both things simultaneously. That is the business plan that stands at the moment.

**John-Paul Marks:** The yard could bid for the small vessel replacement programme; indeed, it did so, and it made it through the first round, as you know. Part of the yard's strategy has been to bid for the SVRP, for BAE work and for other small vessel work, and that is a legitimate aim for it. I am sorry, because I appreciate that the news this week will be disappointing for the yard. It is frustrating that it has not won the work.

Similarly, over the past few years, the challenge has been to learn the lessons of the past and ensure that open commercial procurement is done accordingly. That is what has happened. The SVRP contract has been awarded following a very robust and proper process. I expect that there will be another stage to the programme in the future—SVRP2—and I hope that the yard will have a good chance of bidding for that work in a commercial environment.

**Michael Marra:** Thank you.

**Craig Hoy (South Scotland) (Con):** Good morning, Mr Marks. On the issue of public sector reform, I have a few brief questions about the integrity, propriety, transparency and impartiality of the civil service. In March 2024, the First Minister announced the review of the Scottish Government's use of mobile messaging and other non-corporate devices. In your experience as the permanent secretary, have you seen anything that has given you cause for concern about the culture and the application of communications, particularly digital communications, and the decision-making

process of the Government that has flowed from that?

**John-Paul Marks:** Lesley Fraser might say a bit more about the latest position, but my view is that Government business should be done on Government devices, because that means that it is secure, retrievable and available for FOI. That is best practice, and it is what we have increasingly established.

Clearly, the Covid inquiry has looked at WhatsApp messaging; we stepped through a process of capturing tens of thousands of messages and sharing them with the inquiry, and we have now published a lot of those messages for transparency. If that information exists, it will be retained and therefore will be FOI-able.

We have had the Martins review and have accepted and are implementing the recommendations. I do not know whether Lesley Fraser wants to say a bit more about that.

**Lesley Fraser:** This work fits within a much broader set of work that we have been undertaking since March 2021 to improve our record keeping, including in areas such as decision making. We have put in place new arrangements to ensure that all of our decisions, say, from ministers, are separately captured, so that we can double-check against the record that we have everything there.

The Martins review has been really helpful for us. We will be moving to end the use of mobile messaging applications for the vast majority of our business over the course of the next couple of months, and work is under way with ministerial private offices and our colleagues in many different roles across the organisation to understand what needs to be in place for them to be able to use, as the permanent secretary has said, Government devices and Government systems.

**Craig Hoy:** Mr Marks, had you been asked or consulted by the former First Minister, Nicola Sturgeon, about whether she should have retained or deleted her WhatsApp messages, what advice would you have given her?

**John-Paul Marks:** I am sorry—could you repeat the question?

**Craig Hoy:** Had Nicola Sturgeon consulted you on whether she should retain or delete her Covid-related WhatsApp messages, what advice would you have given her?

11:00

**John-Paul Marks:** She did not ask me that question, but clearly, given the requests from the inquiry, all messages that might be relevant should

be retained. That is why we have shared more than 20,000 WhatsApp messages. We collected all those together through 2023 and shared them with the inquiry.

**Craig Hoy:** In relation to impartiality, the ministerial code states:

“Ministers must not use public resources for party-political purposes.”

At any stage in your tenure, did you have concerns that the civil service may have been being brought into the political sphere in such a way?

**John-Paul Marks:** There have been times when I have offered advice to ministers to protect that principle and to prevent the risk of a breach of the ministerial code. For speeches that might include political content, we must make sure that we redact them carefully and do not broadcast them as the Scottish Government, and we have worked hard on that.

You are right—it is an important principle. When there has ever been an issue or a concern, I have provided advice. I made reference earlier to the pre-election period in the summer of 2024, when I gave advice to ministers to say that they could not proceed with a set of publications and events during an election period.

**Craig Hoy:** I will raise with you a particular example of when, it is probably safe to say, ministers might have been pushing the boundaries. It relates to a tweet from October 2022 that said that Scotland’s economy would “grow faster with independence”. That tweet is still on the Scottish Government’s website. Did you get the impression that there were grey areas and that the civil service was being pulled over the line by ministers?

**John-Paul Marks:** We have tried to work hard on communications to make sure that they are informed by analysis and that people can link from that type of message back to, for example, a publication where the Government has sought to set out the evidence. If I recall correctly, in October 2022, there was a set of publications that looked at the comparable economic growth rates of countries such as Ireland, Denmark and other nations of similar size, and their historical growth rates were better than Scotland’s has been. The point that was being made in that tweet was that if Scotland’s growth rate could match that of similar-sized nations, it would be higher and could grow faster. I appreciate your point that we need to be careful on the boundary.

**Craig Hoy:** Fine. To switch over to public service reform, you told the Public Audit Committee that £280 million is projected to have been saved in the two financial years up to 31

March. That is £280 million of a £115 billion budget over two years, which amounts to a quarter of a per cent in savings. Is that ambitious enough?

**John-Paul Marks:** There is more to do. In those programmes, we have sought to show cashable benefits and cost-avoiding savings and publish them. The point that I was making to the Public Audit Committee is that we need to do more of that on a bigger scale to give the Parliament, ministers and the public confidence around fiscal sustainability.

Many public bodies have been making choices in recent years to live within reduced budgets. We have just talked about the higher education sector, local government reform, VisitScotland, Scottish Enterprise and some of the bodies that Gregor Irwin sponsors. We have seen significant savings on top of what you quote there, but one of the things that the PSR programme needs to do is to draw all that together and tell that single story, including the milestones and benefits. That is the plan for the publication in the spring.

**Craig Hoy:** But it is still a drop in the ocean. You also said in the submission that the target is to save £300 million over the next two years.

**John-Paul Marks:** Just from those programmes.

**Craig Hoy:** Yes, but that is 0.23 per cent again, so we are still talking about relatively small sums in relation to a very large budget.

**John-Paul Marks:** We have taken a set of programmes that Lesley's team leads—procurement, commercial, estate, digital and automations—within core SG. As you say, the £280 million or £270 million plus the £300 million is more than half a billion of savings over a four or five-year period. That is material, but it is only five or six programmes' worth of effort.

There is a plethora of other activity, such as summary case management, reducing admissions and attendances into the health system and reducing headcount across various systems on top of that. For the PSR programme, what we need to do more of is bring it together to tell the story, because I take your point: where we can, we need to show all the activity and how it is reducing costs to deliver better outcomes.

**Craig Hoy:** You have talked about the unit cost of the contingent workforce versus the full-time workforce. The data that you have released shows that the head count for the contingent workforce has fallen from 989 to 668 between March 2022 and September 2024. In a written answer that I received, we discovered that the number of senior civil servants in Scotland has increased by 500 over the same period. I presume that there is less flexibility in the contractual terms for senior civil

servants. You have a policy of no compulsory redundancies, and I presume that those staff accrue significant pension benefits. It seems as though you are losing the contingent workforce through the back door but you are recruiting or promoting more mandarins in the mainstream civil service. Is that a fair way to characterise it?

**John-Paul Marks:** Over the past five or 10 years, the civil service in Scotland has got bigger under devolution. The Smith commission delivered new powers for social security and there are a whole bunch of additional deliverables, such as ScotRail. Despite that, ultimately, we want to reduce the size of the senior civil service as part of the strategy to reduce the Scottish Government's core civil service. We are spending a lot of money on the contingent workforce when core capabilities, such as those in digital, would enable us to drive efficiencies. I take your challenge. It is important to pay attention to detail across all grades to reduce total operating costs and we are working with Mr McKee on that. I expect that you will see the numbers coming down, year on year, in the future.

**Craig Hoy:** The Institute for Government identified a reservation about the UK civil service, which I think applies to Scotland, which it described as "uncontrolled grade inflation"—in other words, middle-grade staff are being promoted more rapidly than ever before. The institute fears that that may be a simple way of circumnavigating pay restraint in the civil service. Are civil servants being promoted in order to raise their salaries?

**John-Paul Marks:** No, that is not what is happening, but I agree that, as we increasingly automate manual tasks and upskill the civil service, their work in Scotland has become more complex and we have recruited accordingly. It is true that we have more senior civil servants today than we did five or 10 years ago, but that is not as a result of an attempt to counter the pay policy; it is a deliberate workforce strategy to ensure that the civil service has the capability to deliver for the Government.

**Craig Hoy:** The Scottish Government has made a virtue of there having been no strikes in the Scottish public sector, which it said was effectively a red line, but that turned out to be a green light for the unions. Has that hampered public pay negotiations in Scotland?

**John-Paul Marks:** Ministers are committed to collective bargaining. We all recognise the disruptive impact of sustained industrial action on communities, public services and our economy. Quite reasonably, ministers have always tasked us with doing whatever we can to negotiate to bring industrial action to an end. As you suggest, there has been recent industrial action in Perthshire by

the teaching workforce; in 2022, we had local government industrial action; and there have been various other isolated incidents. Scotland has a bigger public sector with a higher pay bill, and earnings are higher as a result.

The commitment to collective bargaining is a fundamental part of the Government's employee relations strategy. For example, in our NHS, we did not lose days to strikes in the way that the previous UK Government did. Ministers were keen to protect that, because—

**Craig Hoy:** That has come with consequences, though. It was seen as the unions being given the whip hand, was it not?

**John-Paul Marks:** The point of collective bargaining is to get to fair and affordable pay awards that value the workforce and enable the retention and recruitment of the capability that is necessary to run public services.

I agree with you that the pay bill—in terms of the size of the public sector and of the cost—is an exposure, particularly relative to the rest of the UK, given our block grant. It must be covered in the budget. It is a pressure.

**Craig Hoy:** I have one final question, which is more relevant today than it would otherwise have been. You said to the Public Audit Committee that the difference paid from the block grant in relation to welfare spending, which, if the UK Government goes in a slightly different direction in relation to how people qualify for welfare, will be £1.5 billion or thereabouts, is “material but ... manageable.” Personally, I think that it is material but possibly unmanageable at present. Is there not a significant risk in the Scottish Government's budget, because of where we are at present and where we might end up if the UK Government cuts back on welfare spending?

**John-Paul Marks:** That is another example of difference relative to the UK. An adjustment in the block grant could result in exposure in the long term. I agree that there is a risk.

The total additional investment in social security in 2025-26 is £1.2 billion and it will rise to £1.5 billion in 2029-30. That is the £300 million-odd growth in additional investment in social security that I referred to at the PAC, which is sizeable but—I argue—manageable for the Government to plan for.

This week, we are awaiting an announcement from the UK Government about disability welfare reform. It is possible that that gap will increase further. The debate, whether it is about higher education or social security, is about what Scotland can have relative to the rest of the UK. Can Scotland continue with that difference? If so, what choices will be necessary? Or should we

replicate what the rest of the UK is doing in order to reduce the delta?

**Craig Hoy:** You say that it is a very clear risk and that the Government should be alert to that risk.

**John-Paul Marks:** The Government needs to be alert to the risk.

Ultimately, it is an allocative choice. Ministers see the numbers and know the choices that they are making. It is a deliberate choice to continue with a universal winter fuel payment or to remove the two-child benefit limit. The next question will be about disability. Every time we differentiate from the rest of the UK, whether on social security, social contracts or pay, the cost must be covered by the Scottish Government budget when it is not covered in the block grant.

**Craig Hoy:** Thank you.

**John Mason (Glasgow Shettleston) (Ind):** It has been quite a long meeting already, so I will try not to make it drag on too much longer.

We have mentioned public sector reform. There is talk of public sector reform at the UK level and its impact on the civil service. Would that have a knock-on effect in Scotland?

**John-Paul Marks:** I think so. We are a UK civil service, although we serve the Government of the day in Scotland. Ministers retain—and we retain—flexibility about the Scottish Government in terms of things like hybrid practice, the size of the civil service, performance management, the percentage of the workforce that is digital, and adoption of artificial intelligence. Lesley Fraser is a member of the chief operating officer network for the whole UK and I attend the permanent secretary leadership meeting. We try to make sure that we are learning from each other and sharing best practice. Over the next five years, we will see the civil service across the UK change. I am sure that the same will be true in Scotland.

**John Mason:** If the UK Government were to go in a certain direction—if it were to reduce its numbers, for example—that would increase the pressure for us to reduce numbers.

**John-Paul Marks:** That is right. To be honest, there would be questions to answer. If we said that we were going to go up by 5,000 people while the civil service in the rest of the UK got smaller, scrutiny would build. Just to be clear, I note that we are not going to do that. However, the talk is happening for a reason.

The Prime Minister has set out his expectations on performance, agility and AI adoption, and on there being a more productive state that delivers better outcomes. That is very similar to what we have been trying to do. We have got smaller, we

have built a digital strategy and we have put in place enablers to deliver better outcomes for less cost. Furthermore, we have done that in a difficult fiscal environment. To an extent, the fiscal environment requires transformation and innovation, because this is another recessionary moment, so we must find the creative leadership to deliver better outcomes for less cost.

11:15

**John Mason:** Will you update us on where we are with the national performance framework and its timescales?

**John-Paul Marks:** I could write to the committee to give you precise timetables. Ultimately, with the NPF we want to ensure that, for each of the national outcomes and indicators, we have more real-time data covering all the indicators and are able to transparently demonstrate short-term, medium-term and long-term progress towards them. We have already published that in the performance report that sits within our annual accounts.

The review has been very helpful. The NPF is clearly a valued artefact in public service delivery in Scotland, but I think that there is acceptance that we could improve its consistency, its recognition and the quality of data that supports its scrutiny.

**John Mason:** The final key message in the Auditor General for Scotland's report, "The 2023/24 audit of the Scottish Government Consolidated Accounts", is on the national performance framework. It says:

"The revision of the National Performance Framework has progressed throughout 2024, and it is critical that the agreed National Outcomes are supported by measurable indicators ... We cannot continue to be a position where indicators do not progress beyond development."

Is that a fair comment?

**John-Paul Marks:** Yes. The NPF needs to be complete and more real-time.

**John Mason:** Will you or one of your colleagues explain why some things are included in the consolidated accounts but other parts of the public sector are not?

**John-Paul Marks:** CFO, will you respond?

**Jackie McAllister:** Yes. That is set out in the Public Finance and Accountability (Scotland) Act 2000: the accounting boundaries are driven by it. There are public bodies, non-ministerial bodies and agencies that sit within the Scottish Administration and others that sit outwith it.

**John Mason:** From a layperson's point of view, the public sector is the public sector and some people might expect everything to be in the

consolidated accounts. Is that fixed in stone, or should we be looking at that?

**Jackie McAllister:** There is a really clear rationale for that. In relation to overcoming that expectation somewhat, I point to our public sector financial reporting pilot. That pulls together all the information that is in the consolidated accounts, information that is outwith the consolidated accounts but is still within the Scottish Administration, and information that is in the Scottish budget. It gives a complete picture of the expenditure, the assets and the liabilities for the Scottish budget as a whole. That maybe answers your question.

**John Mason:** I suspect that that is an on-going thing, so we will maybe return to that in the future.

I go back to the Auditor General's report. The second key message is:

"The Scottish Government continues to respond to emerging financial pressures ... The options being applied provide short-term relief, but their one-off nature means they do not address the overall unsustainable financial position for the Scottish public sector."

Is it fair to say that we have

"an overall unsustainable financial position for the Scottish public sector"?

**John-Paul Marks:** I think that the Auditor General said that our in-year budgetary management was appropriate, and, ultimately, he gave us an unqualified opinion.

We have taken structural choices, for example, on income tax and other taxes to increase revenue. That is not a short-term thing—it is structural. However, as we have talked through today, whether in relation to social security, public sector head counts, pay bills or higher education, the concurrency of the shocks of the pandemic and inflation, and the fiscal context, mean that there are pressures that require reform.

I think that the budget is balanced this year and is sustainable for 2025-26. Obviously, there is an election coming, so choices about what happens in the next parliamentary session will ultimately be for the next Government to make. There are plenty of choices to be made in relation to ensuring that the public finances remain balanced and on track, but I agree with the Auditor General and with the Scottish Fiscal Commission that the pressures are continually increasing and are high.

**John Mason:** The Scottish Government has intervened in a number of cases involving private companies, and the report lists the values of some of those. For example, if I understand the figures correctly, the total financial investment in Glasgow Prestwick Airport Ltd has been £55.5 million, while its value in the accounts is £21.2 million. Can you

or one of your colleagues comment on where that came from?

**John-Paul Marks:** The figures relate to the loan and the valuation at this point in time. As you know, we are going through a process with Prestwick airport and are hopeful that we will be able to return good value to the taxpayer. Gregor Irwin can give you the very latest on that.

**Gregor Irwin:** The original value of the loan to Prestwick was £43.4 million. We have not provided any loan funding since 2019. That loan remains repayable in full and the amount has not been written off. We show an impairment in the accounts. The estimated recoverable value for the loan in 2023 was £11.6 million, but that was increased in the most recent accounts to £21.2 million, which reflects the improvement in the financial performance of Glasgow Prestwick Airport. In the most recent accounts, the operating profit was £3.2 million and the profit before tax was £1.5 million.

As the permanent secretary has indicated, the business is performing well, and that is one of the reasons why we now have an exercise under way to test the markets and see whether we can move the business back into the private sector.

**John Mason:** So, a valuation or an assessment is carried out every year. Does that apply to other interventions?

**Gregor Irwin:** It depends on the nature of the intervention—Jackie McAllister might want to say something more about that—but it is absolutely based on the appropriate accounting conventions.

**Jackie McAllister:** Yes, absolutely—we are required to revalue the asset on an annual basis under the relevant accounting standard, as are we required to assess the level of provision that we are reflecting on the balance sheet. Therefore, yes—it would be applicable to other assets.

**John Mason:** Okay. The report also says that there was a total financial investment of £304 million in Ferguson Marine (Port Glasgow) Ltd, and that the value in the consolidated accounts is £94.6 million. That is a similar picture. It also says that the total investment in the Lochaber smelter is nil, and that the value of provision is £130 million. Lastly, it says that there was a total financial investment of £50 million in Burntisland Fabrications Ltd, and that the value in the accounts is nil. Those figures are all assessed and fixed—is that correct?

**Gregor Irwin:** They are all of different natures, particularly the Lochaber smelter. I will try to explain that, and Jackie McAllister can correct me if I get anything wrong.

In the case of the Lochaber smelter, there is a provision in the accounts. That is not an estimate

of the loss from the guarantee; rather, the value is based on different possible scenarios and the estimate is made on quite a cautious basis. We rely on an independent analysis in order to arrive at an appropriate value for that provision. For example, it assumes that any recoveries that are associated with a call on the guarantee are at the low end of the possible spectrum. The key point to keep in mind is that the estimate is conservative. That provision was changed after the 2022-23 financial year, when it was £135 million. In the most recent financial accounts, it was reduced to £130 million.

**John Mason:** There is probably more that we could talk about on that issue, but I will leave it there.

My final question is, how do we control the cost of public inquiries?

**John-Paul Marks:** That is a good question, because we have only so many controls. Ultimately, the point of a public inquiry is that it should have the full authority to investigate. We work with the secretariats of such inquiries to support them to undertake their work in a full and comprehensive way that gets to the underlying truth and learns the lessons properly. However, as you say, they do take time and they have a cost, so the question of when to move to a public inquiry is given careful consideration.

I do not have anything more to say on the framework for cost control, beyond what we would normally do in relation to propriety, affordability, provision in the accounts, and so on. It is a matter for the chair.

**Lesley Fraser:** I understand that it is for the chair of each public inquiry to control that, and that is what they endeavour to do as part of their day-to-day work.

**John Mason:** It appears that there is less control. Take the example of somebody else who is very independent, such as the Auditor General or the Accounts Commission: they work within a fixed budget and a fixed timescale and they have to report every year. Although public inquiries are also independent, we seem to have less control over them. Is it fair to say that?

**John-Paul Marks:** That is right.

**John Mason:** Thank you.

**The Convener:** We are doing our own investigation into that, because we feel that there might be conflicts of interest in how some inquiries are undertaken. For example, people might go to the media demanding the expansion of an inquiry in which they have a pecuniary interest.

I have a couple more questions on this topic and then we will conclude, because we are over time.



The AGS said in relation to performance reporting:

“While we recognise improvements have been made to the reporting in 2023/24, the performance report needs to be more transparent with a golden thread linking all aspects of performance and providing an overall view of progress. Without clear targets against which activity can be measured, it remains difficult to form an overall picture of the performance of the Scottish Government.”

He went on to say:

“Aligning funding to priorities is essential for effective decision making. The continuing revisions and development of policy limits the ability to be transparent, provide continuity and report achievement across the key priorities. There is an absence of clearly defined performance measures with measurable targets for all priority areas.”

Do you agree with that, and would you say that it is absolutely critical that measurable targets are included when looking at priority areas and how the Scottish Government delivers?

**John-Paul Marks:** That is work that we have been trying to improve. We develop the performance report for the annual accounts. The first version of the PFG in my first year as perm sec started out as 200-plus pages of initiatives. The latest one is around 40, brigaded around four priorities. Two of those priorities—child poverty and net zero—have statutory targets attached to them and involve reporting to Parliament.

We have made the point about the NPF, completing the data and making sure that it is more real time. I agree with the Auditor General about the objective of having a “golden thread” so that the PFG is funded through the budget, tracked through the dashboard and reported on through the accounts, to show progress towards national outcomes. I think that we have made progress towards that, with prioritisation of the PFG and alignment to the budget through the dashboard—that is all live—and the performance report; the NPF element has to complete. For the next version of the annual accounts, we will continue to try to draw that golden thread so that you can see input, activity and outcome.

**The Convener:** Excellent. That is what we are trying to see more and more of. That is a real issue. Trying to scrutinise the work that has been undertaken over the years has sometimes been like wrestling a jellyfish because of the absence of measurable priorities.

Lastly, the committee has sought clarification of how inward secondments are used to draw on additional resource and provide staff with broader experience. The committee went to Estonia, and that visit opened our eyes in a number of areas, including to the fact that the public sector there interacts quite strongly with the private sector—

more than it seems to here, where the public sector seems to be more insular.

I realise that there is an issue of supporting academic secondments that are organised by the UK Research and Innovation policy fellows scheme, but is more being done in the civil service to involve the private sector in other areas of the work that you do, and the other way around, to see how you can learn from each other?

11:30

**John-Paul Marks:** I agree that that is really important. For example, on my right is Gregor Irwin, whom we were delighted to recruit from the private sector as our director general economy. Gregor has brought loads of capability to the Scottish Government in investment and corporate finance and has created the strategic assets function.

You talked about the close partnership with universities. We absolutely agree that there are huge capabilities. I think of someone such as Professor Linda Bauld, who is our social policy adviser. She is regularly at our executive team, working hard on issues such as gender budgeting, the child poverty delivery plan and improving our competence.

We want the Scottish Government to draw on all the talents of the nation. There is lots of interaction with the private sector and the academic and voluntary sectors. When we recruit externally, by exception, we do so as much as possible in an open way, so that we can draw talent into the organisation.

**The Convener:** In Estonia, they tend not to recruit so much from the private sector, but they have people from there working for six months in the civil service, and vice versa. They do a lot of that.

This has been a long session. I thank you for answering our questions. Do you want to make any further points before we wind up the session?

**John-Paul Marks:** No, not at all. I thank the committee and wish everyone well. I appreciate your scrutiny and leadership, and I hope that the rest of the year goes well.

**The Convener:** Thank you. I want to wish you well for your future endeavours. I have certainly enjoyed the interactions that we have had. Improvements have been made over recent years, so you can hang your hat on that.

We will have a short break while we change witnesses.

11:31

*Meeting suspended.*

11:37

*On resuming—*

## **“OECD Review of the Scottish Fiscal Commission 2025”**

**The Convener:** Our next agenda item is an evidence session with the Organisation for Economic Co-operation and Development on its second review of the Scottish Fiscal Commission, which was published last week. I welcome to the meeting Scherie Nicol, who is the lead on Parliaments and independent fiscal institutions in the public management and budgeting division in the directorate for public governance at the OECD.

I understand that you would like to make a short opening statement.

**Scherie Nicol (Organisation for Economic Co-operation and Development):** Thank you very much for having me. I will give a bit of context on why the OECD undertook this specific review. The OECD has a workstream on parliamentary budget oversight and independent fiscal institutions. As part of that, it meets annually with a network of institutions, including the Scottish Fiscal Commission, and sets standards for those institutions. The OECD's main standards are the principles for independent fiscal institutions, and in recent years we have increasingly been evaluating the performance of institutions vis-à-vis those standards.

In line with best practice, legislation sets out that there must be an external independent evaluation of the Scottish Fiscal Commission every five years. The OECD was fortunate enough to be appointed for the first and second of those evaluations, so this is the second independent external review that we have undertaken. I have been involved in about a dozen such reviews internationally.

The focus of the first review was largely on how the Scottish Fiscal Commission had performed relative to our standards. The second review focused much more on how the SFC had responded to the recommendations that we set out in our first review and on the upcoming challenges and opportunities that it needs to be aware of.

I will briefly set out some of the things that we found. The SFC responded very well to the recommendations that we set out in our first review. First, it has expanded the scope of its analysis beyond forecasts on devolved taxes and spending to look at medium-term and long-term fiscal sustainability. We think that that is really important and in line with international trends.

Secondly, the SFC has strengthened its key relations with stakeholders. When an institution is established, it is inevitable that it will take time for such relationships to be established, but those relationships are now working much better.

Thirdly, in relation to how it compares internationally, the SFC is a very strong institution. Scotland can be quite proud of the standing and independence of the institution.

Looking ahead, I think that the main issue will be the changing budgetary context, which was spoken about in the previous evidence session. There are increasing budgetary challenges, but there was a sense among the stakeholders to whom we spoke that there is not sufficient debate on, and awareness of, those challenges. Our recommendations focus on the role that the Fiscal Commission could play in strengthening and empowering public and political understanding of the forthcoming budgetary challenges. We looked at how the institution could strengthen its spending analysis, how it could better communicate its analysis and how it could strengthen fiscal literacy among the public and politicians.

We also looked at some institutional aspects and how the SFC can ensure that it continues to be a strong and independent institution. A key recommendation relating to independence is the securing of multiyear funding to ensure that no Government can, at will, reduce the SFC's funding.

The sense from the OECD is that those recommendations will put the SFC in a powerful position to move beyond being an institution that supports the fiscal framework by the letter of the law towards one that is a guardian for fiscal sustainability in Scotland and that ensures that the public and politicians are aware of the challenges ahead and the key decisions that need to be taken.

**The Convener:** Thank you very much for that opening statement. I am sure that the SFC's chair, Graeme Roy, will be delighted to be described as

"a seasoned and effective communicator".

I am sure that we all agree with that.

The report is excellent and really well put together. On page 8, it says that the recommendations

"position the institution to have an important role in empowering political and public understanding around budget choices at a time when Scotland's fiscal context will become increasingly challenging."

Obviously, that is quite a sensitive issue in politics. How do you suggest that the SFC can do that in a non-partisan way, or in a way that is seen to be non-partisan?

**Scherie Nicol:** Other institutions do that quite effectively. For example, when legislation is being considered that would have cost implications for the budget, the SFC could look at different scenarios relating to the legislation and at the scale of budgetary trade-offs that would need to be made under different scenarios. In broad terms, it could look at spending decisions and how they compare with other items in the budget. For example, it could look at 10 alternative ways in which a spending increase could be allocated in order to illustrate the trade-offs that would need to be made in budgetary decisions. It is important that the SFC does not advocate any specific policy, but it could provide illustrative examples of alternative choices that could be made.

**The Convener:** It is interesting that, in figure 1 on page 12, you show the SFC's

"many strengths relative to other"

independent finance institutions

"across the OECD".

For example, you show that the SFC rates highly for its independence, analytical focus and communications apparatus. However, the one area that it seems to fall down on is its communications impact. You compare the SFC with its equivalent in the Netherlands—the Centraal Planbureau, which

"takes a holistic approach to its communications ... from day one".

You say that it provides

"communications training one day per week over eight to ten weeks"

on

"formulating clear sentences and ways to visualise material more effectively."

It is "proactive" and "remarkably open", and it has "six in-house staff" for communications, which is more than the SFC has.

11:45

However, there is an old saying that you can take a horse to water but you cannot make it drink. It is difficult to see how the areas that the SFC covers can be broadened out to what you might call a wider audience. I think that stakeholders are very much aware of the work that the SFC does and respect it. How do you get that into the general population? That seems to be an area where the Netherlands is doing well; I have just mentioned some examples of that. How realistic is it that we can get beyond 5 or 10 per cent of the Scottish population—if I am optimistic—knowing the work of the SFC?

**Scherie Nicol:** Levels of awareness and understanding around public finance are low, but that is not to say that there is no capability for them to increase, specifically if public finance becomes relevant to people. In a range of subject areas, we see citizens developing acute awareness of particular topics in the news. An example is the astronauts coming back to earth today. People suddenly have an acute awareness of the impact of space on astronauts and how they need to readjust over the coming months. That is an example of how something that is quite technical and abstract can become salient to people's lives and then, all of a sudden, they become quite knowledgeable about it. The same can happen around public finances, particularly if something becomes more relevant to people. As difficult spending decisions are made, they have to become more relevant for people. That is where you have to start talking about how you communicate on public finances to improve people's ability to understand them.

There are some difficulties in communicating on public finances, because people just hear big numbers and they do not necessarily understand why those numbers are relevant to them. However, there are ways in which institutions such as the Scottish Fiscal Commission can overcome those challenges. I will draw on an example from Ireland, where there was debate about pensions and pension changes. An initial report from the Irish Fiscal Advisory Council on the implications of the pension changes in terms of billions of pounds got relatively little traction in the press, but, when the debate came back to Parliament, the Fiscal Advisory Council reframed its analysis. Instead of talking about the billions of pounds that the changes were going to cost the taxpayer, it said that young people would have to pay an extra £2,000 in tax as a result of the changes, and the issue became much more interesting to citizens.

If you can change the communication of public finances from being about big-picture issues that lack salience for the everyday person to being about tangible sums of money that they can understand, and if you can show the implications for them personally, you start to get more traction. There are ways in which institutions can make public finances more interesting and accessible for the public.

**The Convener:** I have done that by talking about what the UK debt is per person as opposed to the figure of some £2.3 trillion, which people do not really comprehend.

On page 14 of your report, you say:

"Even among those identified by the SFC as key stakeholders, just 25% rated themselves as having a great deal of understanding of the Scottish budget."

That is disconcerting in itself.

You also talk about the fact that members of the Scottish Parliament

"are not regularly immersed in budget scrutiny"

and do not have a high level of fiscal literacy. Although it is understandable for members to be focused on other areas, it is important that they have a high level of fiscal literacy. You suggest that the induction of new members following Scottish Parliament elections should provide insights into the SFC's role and

"an overview of key issues relating to fiscal sustainability."

**Scherie Nicol:** Over recent years, we have seen budget scrutiny become much broader, but it has not necessarily become deeper. A study that was undertaken by the Scottish Parliament information centre, the University of Strathclyde and the University of Glasgow showed exactly that. Across a range of subject areas, there is a need for budget scrutiny to become much deeper. In particular, with the advent of the new powers in relation to benefits, it is important that the committee that leads on that matter becomes very accustomed to the overall fiscal constraints that Scotland is facing, so that it can bear that in mind when it considers relevant legislation and looks at the budget.

When it comes to induction, one of the challenges that we have seen in Parliaments across the OECD is that there tends to be a focus on the plumbing, by which I mean issues such as at what time of year the budget is laid, how long members have to scrutinise it and what the procedures are for the subject committees and the finance committee, without ensuring that all members of the various committees have an understanding of the key concepts that they need to understand. It is the equivalent of showing parliamentarians the brushstrokes without showing them the masterpiece.

There is a need not only to have a focused induction, but to change the nature of the induction so that it is much less about the plumbing and much more about the broad concepts that need to be understood if we are to ensure that Scotland's public finances are on a sustainable path.

**The Convener:** I will ask one more question before I bring colleagues in. Frankly, the most recent Scottish Parliament election was more of a Dutch auction than any of the others that I have experienced under devolution, in that increasingly unfunded promises were made right across the board.

You highlight that,

"In publishing its forecasts, assessments and reports, the Commission must have regard to relevant Scottish Government policy and will not consider what the effect of alternative policies would be".

The commission is not allowed to consider what the effect of alternative policies would be, but do you think that it would be more effective if it was able to do that? I know that that is a difficult balancing act, but other independent financial institutions provide such advice. Would it be helpful if the commission was able to look at policies and say things such as, “That’s just nonsense—we’re not going to be able to afford that”?

**Scherie Nicol:** Regardless of whether they can look at alternative policies, it is important that independent fiscal institutions such as the Scottish Fiscal Commission do not take a view on whether those policies should be supported. However, it is well within the remit and the capability of such an institution to look at a policy, to state its impacts in the short to medium term and the long term, and to look at what trade-offs might have to be made as a result of having that policy.

For example, in relation to a pensions change such as increasing or decreasing the pension age, the Scottish Fiscal Commission could say, “That would cost Scotland £500 million a year, which would be the equivalent of spending on these other things.” It could illustrate what sort of cuts might have to be made in order to fund a pensions increase, given that Scotland has to balance its budget each year. It would be within the commission’s remit to do that. It certainly has the capability to do that at the moment and, from speaking to various stakeholders, I think that a lot of people would support its doing such work. I therefore do not believe that a change in legislation is needed for the commission to perform that important role and improve the discussion around the trade-offs that different budget decisions would involve.

**The Convener:** Thank you for that. I will bring in colleagues around the table, starting with John Mason.

**John Mason:** Following that line, if we expand the SFC’s remit too much to include spending, is there a danger that it will lose focus?

**Scherie Nicol:** If you look at the Scottish Fiscal Commission vis-à-vis comparable institutions—ones that have a forecasting role and other fiscal analysis within their remit—the SFC focuses a lot of its resources on its forecasts in relation to international institutions. That has been the right thing to do for the past 10 years—it has been a new function and a new area for Scotland. As the system matures, such things become more routine, and the SFC can look at how some of those resources can be diverted to other areas in which they would add more value.

I do not believe that going into the area of spending would necessarily compromise the

existing functions. It is part of the natural life cycle of such functions that they become more routine over time, which can free up resources to look at new areas.

**John Mason:** The convener referred to the figure on page 12 of the report. It was interesting to see all the different institutions. Are some of the groups national and some of them—I detest the term but I will use it anyway—subnational?

**Scherie Nicol:** They are all from OECD countries. The only institution in that figure that does not represent an OECD country is the Scottish Fiscal Commission.

**John Mason:** Some of the countries have two institutions—Portugal, Ireland and Belgium all have more than one. I am not sure what that means. Is one of them subnational?

**Scherie Nicol:** No. In about eight OECD countries, there are two institutions. It tends to be that one is a fiscal council and one is a parliamentary budget office. Although there can be some overlap of functions, generally the parliamentary budget office has a more hands-on role with the parliamentary committees and in answering queries, and the fiscal council has a more formal role in which it assesses compliance with fiscal rules and such things. It is akin to how Scotland has both the financial scrutiny unit and the Scottish Fiscal Commission.

**John Mason:** I will continue on the theme of comparisons. In the report, you make the point that the room for error in Scotland, which is linked to the UK, is less than it is elsewhere: other countries have flexibility of 1.4 per cent of gross domestic product, on average; we have flexibility of only 0.6 per cent of GDP. Is that something that we have to live with and cope with, or is it something that should be changed?

**Scherie Nicol:** When you say “room for error”, which statistic does that refer to?

**John Mason:** I will have to find it.

**The Convener:** It is on page 21 of the report.

**John Mason:** That is right. On page 21, the report talks about

“managing the reputational risks associated with”

the challenge. It goes on to say that, because the margin is so tight, there is a greater risk for the SFC. Is that what that means?

**Scherie Nicol:** In the Scottish fiscal context, the Scottish Government must balance its budget. There is relatively little flexibility in terms of the reserve and borrowing powers. As a result, when there are forecasting errors, they can potentially have the impact that the Government has to cut its budget in certain areas.

That is quite risky—it puts the Scottish Fiscal Commission in a position in which it could be blamed for cuts being made in the Government's budget as a result of its errors. It is important that the constraints of the fiscal framework are explained so that the blame for any adjustments that need to be made as a result of the forecasts does not lie with the Scottish Fiscal Commission.

**John Mason:** However, as you have said before, it is quite difficult to explain that to the public and to MSPs. If I remember correctly, in the previous review of the SFC you said that the arrangement that we have with Westminster is one of the most complex fiscal arrangements. Is that still the case?

**Scherie Nicol:** Yes. Relative to what exists in other countries, it is a very difficult fiscal framework for the layperson to understand.

12:00

**The Convener:** I like the way that you say “layperson”.

**John Mason:** That includes some MSPs.

I do not want to step too much on Michelle Thomson's toes, but another point that I want to ask about is diversity in the SFC. We have raised the fact that, at the moment, it is all male. I was particularly interested that you thought that we should perhaps widen out the backgrounds of the people who are in the SFC, so that it would include not just economists. I have always thought that we have to fill it with economists, but could accountants have a place?

**Scherie Nicol:** The new European Union directive that has just come through for independent fiscal institutions across Europe under the new economic governance arrangement states that the members and leaders of fiscal institutions should have qualifications in economics, finance or budgetary management. It is for the institutions to decide what is best in their own context.

One of the rationales behind our recommendation was that the Scottish Fiscal Commission is seeking to increase its spending analysis. It is doing more work on long-term fiscal sustainability, which touches on areas including health spending and climate change. In that context, it would be sensible to look at a broader range of skill sets beyond economics, and to look to public finance and public financial management, so that it can have the leadership that it needs in order to manage that analysis.

**John Mason:** Okay. Thanks.

**Craig Hoy:** Your report says:

“The SFC and the Scottish Government should also revisit their Protocol for Engagement to strengthen mutual understanding and reinforce adherence to agreed timelines.”

It goes on to say:

“To ensure accountability, the SFC should also continue to highlight non-compliance with deadlines through publicly reporting, creating a reputational incentive for timely co-operation.”

That is the equivalent of a gold star. However, should the SFC have some powers of sanction beyond just a critical report or press release? If that is the gold star, what equivalent to the naughty step should we be looking for?

**Scherie Nicol:** There are different types of escalation mechanisms that can be put in place. This committee plays an important role in supporting the Scottish Fiscal Commission to receive the documents that it needs in time. For example, it could be a helpful additional step that the Fiscal Commission could write to the convener and the convener could then raise the matter with the Scottish Government.

There are steps that are available to fiscal institutions in other countries to escalate issues when that is required. However, it is unusual for any one of those mechanisms alone to be sufficient. It is good to have a range of soft and hard options to ensure that the information that is needed is provided on time.

**Craig Hoy:** The convener alluded to the fact that the report lists countries with national organisations. We have a devolved Government and a devolved Parliament: ergo, we have a Scotland-focused institution. Given that many of the issues that we look at are spending decisions that relate to Westminster, there is a far greater interplay between the two.

I also want to address some of the political concerns that some people have about Scottish exceptionalism. Could there be an alternative model in which the SFC is part of the Office for Budget Responsibility? Would that address the concern about the proximity to the organisation that gives funding to the SFC? Your report identified some questions about the implications of the relationship between the SFC's independence and its source of funding. Might that be an alternative model that could make the organisation further removed from the Scottish Government and enable it to look at the whole of Scottish public finances in relation to Westminster?

**Scherie Nicol:** None of the stakeholders to whom we spoke raised that as something that they would like as a potential solution

I know that, of course, those arrangements exist in Wales, where the UK OBR undertakes devolved forecasts. However, when I look at the situation in

Wales vis-à-vis the situation in Scotland, I see that having your own institution brings with it a lot of risks but also brings additional strengths. The strengths are in having an institution that has a Scottish focus, understanding and awareness; the ability to look at the overall Scottish fiscal context in detail and at the extent to which there are specific fiscal challenges ahead and how those could be addressed; and proximity to the Scottish Parliament, which means that it has worked with the financial scrutiny unit in recent years and has helped to upskill members on various fiscal challenges.

You have seen a lot of benefits from having a locally based institution. Those probably outweigh the risks in relation to its independence. Actually, overall, even though there are some risks in terms of its independence, the Scottish Fiscal Commission still ranks very highly in terms of its independence vis-à-vis other OECD institutions.

**Craig Hoy:** This has been alluded to, so I will not labour the point, but we have identified that the communications apparatus in the organisation is very good—the people are very effective communicators—but its impact is considerably lower than that of the institution in the Netherlands and that of the OBR. What lessons can we take from that, which the Scottish Fiscal Commission could perhaps look at in order to bolster the impact of a very effective communications operation that just does not seem to be cutting through?

**Scherie Nicol:** I am really glad that you asked that, because that is one of the things that we have been talking about in depth with the Scottish Fiscal Commission and trying to understand, as part of the review process.

We have come to two conclusions. One is that there are contextual elements that are out of the Scottish Fiscal Commission's control that mean that it is having a lower communications impact than some of its international peers. When we look at, for example, the media landscape in Scotland, there are relatively few specialist journalists who look at the budget, and the coverage that budgetary issues get in the media institutions that are most read by citizens is relatively low. The situation is very different when compared with that of the UK, where there are many more specialist financial journalists and there seems to be greater coverage of financial issues. That is one part of the picture.

That said, there is still scope for the Scottish Fiscal Commission to improve how it communicates its work, so that it is brought to the fore in articles in which budgetary issues are being discussed. We have spoken to the commission about how it can further embed a communications culture, specifically among its analysts, so that they can write in plainer language and use better

communication tools, such as visuals and infographics. We have also spoken to it about interactions with journalists and aspects such as that.

There are two important parts to that communications question.

**Craig Hoy:** Okay. Thank you.

**The Convener:** We have to put that into perspective as well. The Scottish Fiscal Commission might not be as good as the institutions in countries such as the Netherlands or, indeed, as good as the OBR, but it is a lot better than those in countries such as Finland, France, Germany, Portugal and Greece, as we can see from the list that you have on page 12 of your report.

I call Michelle Thomson.

**Michelle Thomson:** Thank you for the report—I enjoyed it immensely.

I am genuinely pleased that the SFC got such a clean bill of health. During my time here, I have seen the very determined and deliberate attempts that it has made, particularly around increasing communication, so I celebrate it for that.

In some respects, it is almost like the SFC got the rap for our status quo, much of which we have touched on. I note that it is hard to teach somebody something when their job depends on their not understanding it. We see basic examples of that every year, with MSPs who do not understand why there is a need for contingency in a fixed budget. To what extent is your report a function of the fiscal framework in that there is a fixed budget and limited resource borrowing powers, and there is complexity in the fiscal framework? Would you concede a bit of sympathy for the SFC's being in the firing line and agree that other actors have very clear roles to play?

**Scherie Nicol:** It is important to understand that the SFC is one player in a broader ecosystem. A range of actors have important roles to play in improving the fiscal literacy of members of the Scottish Parliament—the financial scrutiny unit, the Scottish Fiscal Commission, think tanks and the media. Ultimately, unless the public understands the issues and puts pressure on the politicians to understand them as well, we will not necessarily get an ecosystem that functions well.

You are correct in saying that the SFC is only one of a range of institutions that have important roles to play in improving the political and public understanding of the fiscal challenges ahead.

**Michelle Thomson:** You made a comment that I was going to make about specialism in media journalism. We have lost the likes of Ian Fraser, and we very much have generalists. Your common

or garden MSP might not understand the fiscal framework, but that extends to journalists. We all have roles; it is not just for the Scottish Fiscal Commission. It is probably also for the political parties, because it is not in the public interest that there is such a swathe of ignorance.

I do not have anything else to add, convener.

**Michael Marra:** My question is about the independence of the SFC, which you have mentioned, and it follows on from some of what Craig Hoy said. You say in the report that the nature of the SFC's work

"and the possibility of a changed political landscape means that tensions could emerge. Were this to become a more significant risk to the effectiveness of the SFC at some point in the future then alternative arrangements should be considered"

around the funding of the institution. Can you say a bit more about what you see as being that "changed political landscape" and where tensions might emerge?

**Scherie Nicol:** There have been no issues to date with the funding of the SFC, and the process of it receiving the resources that it needs to undertake its role has, for the most part, functioned very well.

However, in other countries, particularly when you get involved with spending analysis, for example, you start to get much more involved in the political crossfire. It is important to recognise that an increased level of defences might be needed for an institution such as the Scottish Fiscal Commission.

One aspect of that relates to the changing nature of its future work. The other aspect is recognition that there is an anti-establishment and anti-expert sentiment in some countries, and that some institutions of government have come under political fire. Although that does not seem to be the political situation in Scotland right now, it should be recognised that such situations have arisen elsewhere and that protections should be put in place at home that make sure that the institution is protected, should they arise here.

**Michael Marra:** There have been recent circumstances such as the mini-budget and the then Prime Minister, Liz Truss, questioning the validity of the OBR and questioning working with it in any way. She said that engaging it at all was a mistake and that it, rather than policies, was part of the problem. Are you talking about the circumstance in which people find problems with the validity of the organisation on the basis of the choices that they want to make?

**Scherie Nicol:** Yes, that is the sort of circumstance. In other countries, such as Canada and Hungary, institutions have received budget

cuts when they have produced analyses that the Government has not liked.

12:15

**Michael Marra:** That is useful to know. Your report suggests that the SFC could receive funding directly from the Scottish Parliament rather than the Scottish Government. The committee has done quite a bit of work on directly funded organisations, commissioners and so on. I do not want to put words in people's mouths, but I would imagine that, for members around the table, the circumstances that you have described might be a concern. Which other models could increase the independence of institutions?

**Scherie Nicol:** The OECD's principles for independent fiscal institutions suggests two main protections that can be put in place for resources. First, a separate budget line in the budget for those institutions would mean that it would become increasingly transparent when changes were made. Secondly, binding multiyear funding would mean that a Government would not have the latitude to change funding annually in response to analyses that were not favourable to that particular Government. Internationally, those are the two things that we focus on as being the most effective ways for institutions to secure resources that are independent of the Government.

**Michael Marra:** If the committee was to pursue a budget being set for the Scottish Fiscal Commission at the outset of a Parliamentary session, with a plan across the full five years, do you think that that would grant the commission more security against variations in the politics within that time?

**Scherie Nicol:** That would be one way of doing it, although I would be hesitant to link funding to a Parliamentary session. The UK OBR has just undergone a review, and it was recommended that it receive multiyear funding. As of last autumn, the UK OBR will receive set funding for the next three years, with funding for the third year being decided on a rolling basis. That would be one way for institutions to have multiyear funding that is de-linked from the political cycle.

**The Convener:** That concludes questions from members. I have a final question. The report's conclusion talks about

"the SFC's potential to go beyond its role as official economic and fiscal forecaster and help raise awareness around fiscal challenges."

The SFC has raised awareness about climate change and sustainability and there has not really been any political kickback, because it has been able to show a degree of political neutrality. You believe that the SFC should deepen its spending



analysis beyond social security to offer more comprehensive insights into public spending trade-offs.

**Scherie Nicol:** That is the thrust of our recommendations. Broadening and deepening its spending analysis would enable the SFC to produce analyses that would be much more helpful for enriching the budget debate in Scotland in the years ahead. At the moment, its spending analysis is relatively limited to social security. Broadening that out to cover all the aspects that will be subjected to large spending pressure over forthcoming years—in particular, health, social care and aspects relating to the green transition—will be very important in order that members will have at their fingertips the sort of analyses that will enable them to make better decisions about Scotland's fiscal future.

**The Convener:** Are there any more points that you want to make to wind up the session?

**Scherie Nicol:** That is everything. Thank you very much.

**The Convener:** Thank you for your time. It has been very helpful and we greatly appreciate the work that has gone into the very positive report.

*Meeting closed at 12:19.*



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