



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Finance and Public Administration Committee

**Tuesday 9 September 2025**

**Session 6**



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**Tuesday 9 September 2025**

**CONTENTS**

	<b>Col.</b>
<b>DECISION ON TAKING BUSINESS IN PRIVATE .....</b>	<b>1</b>
<b>PRE-BUDGET SCRUTINY 2026-27 .....</b>	<b>2</b>
<b>SCOTTISH FISCAL COMMISSION (APPOINTMENTS) .....</b>	<b>62</b>

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**FINANCE AND PUBLIC ADMINISTRATION COMMITTEE**

**24<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:**

Mike Brown (Social Work Scotland)

Michael Kellet (Public Health Scotland)

David Livey (Scottish Council for Voluntary Organisations)

Ian McCall (Walking Scotland)

Dave Moxham (Scottish Trades Union Congress)

Justine Riccomini

Richard Robinson (Audit Scotland)

Dr Eleanor Ryan

João Sousa (Fraser of Allander Institute)

**CLERK TO THE COMMITTEE**

Joanne McNaughton

**LOCATION**

The Robert Burns Room (CR1)



## Scottish Parliament

### Finance and Public Administration Committee

*Tuesday 9 September 2025*

*[The Convener opened the meeting at 09:00]*

### Decision on Taking Business in Private

**The Convener (Kenneth Gibson):** Good morning, and welcome to the 24th meeting in 2025 of the Finance and Public Administration Committee. Agenda item 1 is a decision on taking business in private. Do members agree to take item 4 in private?

**Members indicated agreement.**

## Pre-budget Scrutiny 2026-27

**The Convener:** Item 2 is to take evidence from two panels of witnesses on responding to long-term fiscal pressures, as part of our pre-budget scrutiny 2026-27. We are joined by Richard Robinson, senior manager, Audit Scotland; and João Sousa, deputy director and senior knowledge exchange fellow at the Fraser of Allander Institute. I welcome you both. We have your submissions, so we will move straight to questions.

I will begin by asking Mr Sousa about one of the things that you said in your submission. It is quite interesting, and it relates to a point that I put to the Cabinet Secretary for Finance and Local Government last week. You said that, under the medium-term financial strategy,

“No area of spending is assumed to fall in real terms—all areas are presumed to grow in line with inflation except those areas which are likely to grow more than that”,

such as the national health service, social security, pay and local government. Basically, you are saying that the MTFS assumes that there is no prioritisation, because everything is prioritised. Let me have your further thoughts on that.

**João Sousa (Fraser of Allander Institute):** I think that you have summarised pretty well what the MTFS says. The way that we see the MTFS is that it is the first step in doing the prioritisation, but it is not the prioritisation. It has highlighted some areas and the total gap that must be filled.

There are some questions about whether this is really a central scenario. We know that the Government should and must plan to balance its resource budget every year, so we cannot take the MTFS as a guide to what will actually happen. We can take it as a guide to pressures but, as you said, we await some detail on what the Government wants to prioritise and deprioritise.

**The Convener:** Mr Robinson, in a related context, you said:

“The Scottish Government will need to be clear in its future spending plans and financial strategies how each of these measures”

will be delivered. The measures are increasing public value, identifying efficiencies and productivity, service reform and prevention. Will you tell us a bit more about your thinking on that?

**Richard Robinson (Audit Scotland):** Yes. Good morning, convener. Very much in line with what João Sousa said, I will make two points—one about flexibility and one about timing—that we raised in our submission.

The first point is about flex. Last year, we produced a report on fiscal sustainability and reform. One of the areas that we investigated was

what the Scottish Government understands about where it can flex its budget over time—over years and within years. We found that the information was not there to the standard that we felt would allow the Government to do that in the most efficient way.

It was useful to hear in last week's evidence about the level 4 analysis that is being done ahead of the spending review. That has the potential to identify which elements of spending are more flexible or fixed.

Why that is important links to my second point, which is about time and commitments. It takes longer to implement reform against commitments, and that might include workforce costs and how they are managed over time, rather than to make shorter-term changes that might be able to be made.

To go back to what João Sousa said, the general point is that all such measures should be geared towards the priorities that the Scottish Government wants. As the plans develop towards the spending review and the infrastructure investment plan, it would be useful to see a clear line that shows how each spending measure addresses the priorities and what that means for any refreshed national performance framework.

**The Convener:** You touched on reform. Your submission said:

"Reform must deliver services differently, supporting the Scottish Government workforce to manage this change, rather than simply doing more with less."

Obviously, doing more with less probably is one of the things that the Scottish Government is keen on. Given the financial pressures, that is understandable. People want better services, but they do not necessarily want to pay for them to the extent that might be required under the current system. Will you talk a wee bit about the reform that you envisage?

**Richard Robinson:** The pillar 1 work under the fiscal sustainability delivery plan gives information about the different ways in which the Scottish Government would want to manage its spending over the short term. Some measures are efficiencies driven, which it could be argued means doing more with less through managing the workforce or operating differently, and some measures are slightly longer term and could be more systemic changes.

What would I say about workforce questions? We produced a workforce report back in 2023—I apologise that our submission said that it was from 2003.

**The Convener:** I know.

**Richard Robinson:** A reduction in workforce numbers on its own would not be enough to manage the gap, and alongside that there are continuing capacity issues in our public services. One of the things that we are saying is that the spirit of reform is needed. How are you going to use your workforce differently? How are you going to use your assets differently? The single Scottish estate programme and the IIP will all be key components of reform. However that develops over time, we want to see a clear line and alignment back to the MTFs and the ambitions for the medium-term picture.

**The Convener:** Mr Sousa, you said that the statement that

"the devolved workforce will fall by 0.5% a year"

and

"this will have no effect on frontline services ... seems implausible in the absence of some pretty heroic improvements in productivity".

Half a per cent a year doesn't seem that heroic, really. I know that we are talking about not just 0.5 per cent but 0.5 per cent over and above what productivity would be anyway. Will you talk us through how we can deliver that 0.5 per cent?

Without referring directly to them, you have alluded to compulsory redundancies, which I have raised many times in the committee. You went on to say:

"There is no reason to suspect that the people retiring or leaving the Scottish public sector will be doing so in the roles that need eliminated—a real plan, looking at the hard choices of what needs and does not need to be done, and how the skills for that match up with the ones available in the redeployment pool is what is necessary, and it seems to be missing from the FSDP."

**João Sousa:** The fiscal sustainability delivery plan has a target for what it wants the overall level of employment change in the public sector to be. However, as I said in the submission, if we are thinking about reform and improving productivity, a strategy needs to be developed on where more roles need to be created and where fewer roles need to exist. Detailed thinking is needed. I appreciate that that takes time, so what would be welcome from the Scottish Government is an understanding about the approach that is taken.

Obviously, no one is advocating just going in and having a bonfire of roles; that would not be a sensible way of doing things. Detailed planning is needed. Reducing total employment by 0.5 per cent a year is only the net figure; thinking is needed about what the gross figures in each bit of government need to be to deliver that. For example, technological transformation might require a boost in some roles, and other roles might need to be reduced further. I did not get the

sense from the fiscal sustainability delivery plan that that had been fully appreciated.

**The Convener:** You said that the FSDP

“seems more like a disparate set of aspirations than a coherent plan”.

**João Sousa:** Yes—I stand by that.

**The Convener:** That is a bit cruel, really.

**João Sousa:** It might be slightly cruel in some people’s estimation. I think that it is a fair reflection of the plan in the sense that, as I said in our submission, I am not totally sure why a separate document altogether was needed, given that it seems to try to tackle the medium-term gap, which is outlined in the medium-term financial strategy. That seems like an exposition of the problem rather than a strategy to combat the problem.

**The Convener:** I appreciate that the Fraser of Allander Institute has been dogged in saying that there should be one document. Mr Robinson, what do you feel about the issues that we have talked about, such as productivity?

**Richard Robinson:** I will focus on the workforce a bit, as I think that that was where your question started. There may be something to recognise in workforce trends and the aspiration to reduce the workforce over the medium term. What we have seen, as is set out in the Scottish Fiscal Commission’s documents and in our workforce report, is that—understandably, perhaps, over Covid-19 and through the cost of living situation—staff numbers and staff costs have increased. The issue is about a reversal of that, in a way, in terms of reducing—

**The Convener:** I am sorry to interrupt you, but I understand that the public sector workforce numbers are some 47,000 higher than they were. The approach is not about reversing that increase but reducing the workforce by 12,000 over four years, which would still be a significant increase in the workforce.

**Richard Robinson:** Yes—I misspoke. Maybe “reversing the trend” is a better way of describing the approach. The context to that, which the SFC has outlined, is continuing demand for services, which could stretch over the long term in relation to population health. That is one reason why preventative measures are being considered.

Another factor to bear in mind is that one reason for the pressure concerns the relative position with the rest of the United Kingdom on the size of the workforce and on pay. As well as managing demand, one thing for the Scottish Government to keep an eye on and monitor over time is how the relative demand in the rest of the UK will be monitored, because that will affect how much funding is available for the existing workforce.

The main point is that there are a lot of moving pieces that the Scottish Government will need to manage over the medium term and then into the long term as pressures on public health, for example, increase.

**The Convener:** Sticking to the issue of workforce, you have pointed out that 16.8 per cent of people aged 16 to 64 who are inactive reported that they wanted to work. You touched on the no one left behind programme, but you went on to say:

“It is unclear currently to what extent this will result in tangible or significant differences in labour market participation compared to the rest of the UK and over what timescale.”

**Richard Robinson:** Yes. It probably comes back to that point around the relative difference that this will make. João Sousa may want to speak further about this as well because I think that some of this was covered in his submission.

There is a relatively older population. There are impacts from that in respect of what it means when people’s incomes are growing as opposed to when they are plateauing or reducing as they move through their careers. There will be rest-of-UK measures in place to try to increase productivity, so the relative impact that such measures have will be important. The Scottish Government has outlined the population health element within its reports. How do we make people healthy and therefore available to work? How do we get people into the jobs with the skills that they need for the future? These things are important, and monitoring their impact relative to the rest of the UK will be a big driver.

The MTFS and the FSDP take a three-pillars approach; the first pillar is around spending and the documents say that over the next couple of years that is where most of the impact will be. Over the medium term, and then into the longer term, tracking those elements of the economy and wage growth relative to the rest of the UK in terms of the impact on taxes will become increasingly prevalent. Managing that against the rest of the UK and the success of the measures as they transpire will be important.

09:15

**The Convener:** Mr Sousa, in respect of people who are economically inactive, you have talked about the need for a person-centred approach and for Scotland to emphasise skills in order to broaden the tax base. You have also talked about how, for example, there are real problems with capital formation, especially in net terms. Can you talk to us a wee bit more about that?

You go on to say:

“UK capital spending remains lower, barely above replacement level, and so does Scotland’s. Every year we invest less than peer countries, the gap in capital stock grows, which then results in the large gap in productivity we see today.”

**João Sousa:** When you think about labour productivity, part of it relates to the amount of capital that is available per worker.

**The Convener:** Yes, driving a tractor is better than working with a pitchfork.

**João Sousa:** Exactly, but it is not just that. It is not just physical capital, which obviously has an impact, but it is investment in skills, lifelong keeping up of training and adapting to new technologies. Sometimes, there is a misunderstanding about the amount of capital formation and an idea that we are talking about either things that are very obvious or things that are very advanced, whereas the reality is somewhere in between.

When His Majesty’s Revenue and Customs had to implement making tax digital, one of the things that it had to do was to try to get some people to use spreadsheets because the firms were not doing that. Some of the digitisation that happened in the 2010s is way beyond when other firms digitised. There is a really long tail of firms that might not be using any of the digital tools that other firms have been using for years. It is a very disparate set of things.

Ultimately, some things depreciate over time so you have to replace them, whether that is your knowledge, the software that you are using, or the physical capital—the buildings, the roads and so on. They need maintenance. When you look at that, and you try to take away our best measure of the depreciation rate, on net we are actually not adding very much to the capital stock of the country, and that is the real issue. That has become progressively worse because—and I appreciate that this is a relatively complex thing to try to get across in this format—the gross investment has not changed very much over the last 30 or 40 years as a share of the economy, but the things that we have invested in tend to depreciate more quickly. There is a lot more software than there was before, for example, which needs to be replaced more often. That means that, on net, we are actually not adding as much to the capital stock as we were in the 1970s or 1980s, which then means that we are still growing but we are not growing as fast. That is part of that productivity gap: we are not adding to the capital stock available as much as we were before.

**The Convener:** You said that

“Public investment is merely a fraction of private sector investment”

and

“The UK is therefore reliant on capital from abroad, with the low productivity of the country also making investments less attractive.”

Because we have not got enough capital investment, it deters the people we need to bring in more capital investment.

**João Sousa:** Yes. Obviously, if you have something that is really attractive, that will be funded. We are thinking about the things on the margin that might not be super-attractive but which would get funded domestically when there is less competition across the world for that capital. That is where the adding up of all those small measures means that, on the whole, we end up with less investment than would otherwise be the case.

**The Convener:** Mr Robinson, you have said:

“The Scottish Government’s own publication on the national strategy for economic transformation notes that in 2019, while Scotland ranked seventh among OECD countries for higher education research and development, it ranked only 24th for business enterprise research and development.”

Has there been any advance on that since 2019?

**Richard Robinson:** I do not know the answer to that, I am afraid. I can report back to the committee if there is any further information.

**The Convener:** Yes. Basically, there is a concern that some of the figures that we may be using are considerably out of date. You also talk about how the whole capital spending is forecast to create a gap of about £2.1 billion in capital investment, highlighting the importance of the prioritisation of capital spending towards the Scottish Government’s priorities in the Scottish spending review 2025.

**Richard Robinson:** I will make a couple of points. The first one relates to João Sousa’s point and the point that we make in our submission, which is about alignment of all these things. Although there are three pillars, as has been set out, they are all related. What is happening with investment could affect the productivity in the country and what is happening with the economic strategies could affect that inward investment. All those things will then have tax implications, which will potentially support the budget. The first point is really about that alignment.

This takes us on to the point that we make around capital spending. When work was done by Audit Scotland on the investment plans and capital in the past, we recommended that the Scottish Government should produce clear information that explains how it previously decided to prioritise, delay or cancel projects. That will continue to be important, not just in the IIP itself, but also in the strategic decisions that the Government makes



over the medium term as this capital budget changes. The Scottish Government has laid out the key priorities around poverty, climate change, growth in the economy and sustainable public services. Capital will be a big part of that.

There are two sides to that. One is the doom and gloom side, if you will, that there is a gap and therefore a question about where to prioritise projects to address that. The other side is what some people might call the shovel-ready projects—if it ends up being not as bad as you thought it was going to be, which projects will you take off the paper and start with? Having a strategy that allows the Government to do that in the way that best matches its priorities and what else it wants to grow on the revenue side, whether that is through taxes or better public services, will be important. Over the medium term, it will be useful to see the strategies continuing to align in that way.

**The Convener:** Mr Sousa, you have talked about, in terms of capital, the difference between different types of infrastructure spend. I remember back in 2008 when we had the crash, everyone was talking about the gearing effect of certain capital projects relative to others. In other words, if you invest in one type of capital, you get more return than from others.

Your submission talks about

“road and rail connections, which are canonical examples”,  
and notes that

“Public transport in particular has a high return.”

You also went on to talk about how UK businesses have

“lowered investment skills over time”,

which I am sure others will pick up on.

Given that there will almost certainly be a capital funding gap in the forthcoming year and beyond, where should we prioritise capital for the maximum amount of economic return?

**João Sousa:** That relates to how these projects are appraised by the Scottish Government. I cannot tell you off the top of my head that you should invest in project X or Y. What I can tell you is that if you want to maximise the impact of that spending, you need to look at the projects that have already gone through the appraisal system and are ready to be put through into capital spending on the ground. If you have a limited amount of money to spend, you have to think about which projects have the highest cost benefit ratio. Obviously, that is not the only thing that you should look at—as an economist, I am pretty happy to recognise that the business case approach does not capture everything and that there will be many things in the business case that

are not quantified. Do not just look at the quantification but start with that as an assessment point and then look at any further benefits that you have not been able to quantify.

It is a question of aligning those benefits with what you want to achieve. If you want to achieve maximum economic growth, you should focus on the things that have that effect. If you want to maximise protection of the environment, you should focus on other things. The green book and appraisal cannot tell you that a project is definitely the best project to do. It cannot tell you that a project looks likely to break even in terms of social costs and social benefits. A project might look like it is way above, but obviously to say that the difference between 2.61 and 2.59 is a real difference is fanciful and that should be recognised as well.

It is important to use and review that process—which has to have been gone through because there are analysts in the Scottish Government who will be doing that—and to go through a systematic prioritisation exercise by thinking, okay, this is the list of things that we will do and these are the things that have the maximum impact.

Looking at the size of the projects is necessary as well. It is all well and good to have one project that generates 300 per cent returns, but if you have only invested £10 million, even if it is a very large return relative to the size that you invested, that might still be very small in the grand scheme of things. You might want to consider the combined size of what you are trying to do so that the return in terms of pounds is bigger, even if the percentage return is not necessarily as big for some projects as for some other ones.

**The Convener:** A lot of little projects might be a good idea then, it seems. Just one last thing from me and it is on transparency. I will stick with you, Mr Sousa. You have said:

“One of our main gripes with these documents is the lack of detail and access provided to external parties such as us to scrutinise the underlying assumptions.”

**João Sousa:** Yes. It would be helpful to be very clear and transparent about what is being assumed in some of this. We welcome some of the steps that have been taken in the MTFS, where, for the first time since there has been an MTFS, there is an itemisation of what is being assumed for different types of spending. However, in the FSDP, it is less clear what the underlying assumptions are. This makes me seem obsessed with spreadsheets, but we really love a spreadsheet or a table that we can just copy and paste.

**The Convener:** We all love numbers—always think in numbers.

**João Sousa:** Convener, we had to type in the numbers for some of this stuff, and the risk of us making errors when scrutinising it quickly is a real issue.

**The Convener:** Okay. Mr Robinson, you have said:

“There are some clear consistencies between the MTFS, the fiscal sustainability development plan and public sector reform strategy. In particular, the MTFS and FSDP both focus around the three pillars of prioritising spending, economic growth and tax strategy.”

However, later in your paper you go on to say:

“To ensure effective public administration, we need to avoid duplication and ensure consistency in measurement and process.”

**Richard Robinson:** Yes, that is right. An inevitable risk as the base of strategies grows is that, over time, the strategies are no longer aware of each other. Alignment goes through this. We speak in our submission and we are aware of—because it is in the Scottish Government’s own documents—the various strategies: the population health strategies, the operational strategies, and the reform strategies; we will also see the spending review and the IIP in due course. As the number of strategies grows, the risk that the alignment between them is lost increases.

It is encouraging, as I think that we have commented in our submission, that the public sector reform board is now taking a more central role than was previously the case when we did our financial sustainability and reform report. It is developing a theory of change and monitoring, evaluation and learning framework. Within that, the ability for the board to see across government—because many things will be cross-government measures—and to be able to ensure that everyone is singing off the same hymn sheet, for want of a better term, will be important.

**The Convener:** Thank you very much for that. I will now open up the session to colleagues around the table. First, we will hear from Michael Marra, to be followed by Liz Smith.

**Michael Marra (North East Scotland) (Lab):** Good morning, colleagues. Starting with the fiscal sustainability delivery plan, Mr Robinson, I note that you mention in your submission several areas where you think that more detail is required on the policy specifics. Can you say a little bit about those areas for the committee?

**Richard Robinson:** The MTFS gives a broader spending and tax outlook, while the FSDP is useful in identifying certain areas on which the Government would like to focus. Perhaps I can highlight two issues, the first of which is how far this variety of measures, when taken together, is expected to go over the course of the five-year period and the range within that. I am aware that

the more that you move forward in time, the more difficult it is to have exact projections—I am not a forecaster, but I think that that is a fairly standard view—but a sense of how far the measures, collectively, will go will help the Government understand how to monitor things over time.

09:30

The second issue is the need to understand the timing differences between the three pillars, which is something that I might have touched on earlier. When you look at the FSDP and the MTFS, you have to ask: if the Government is planning and strategising for an approach to the economy and taxes that will, relative to the UK, help with the fiscal gap, when will that come into being? We are aware that, in the shorter term, you might need to prioritise your spending decisions—after all, these things take time—but we would note that it was clear in the 2023 MTFS that, over the next couple of years, the focus would be predominantly on spending measures. It is about understanding at what point we will see the balance of weight between the pillars start to shift, to enable the Scottish Government to determine how, in reality, the balance between spending measures, economic growth and impact on taxation is transpiring over time.

**Michael Marra:** The committee is very much cognisant of the fact that the fiscal situation has been very volatile in previous years, but I would note that the document is written as a list of actions to be taken in the short run instead of, say, looking at tolerance, setting out some list of assumptions or any analysis of the background or saying, for example, “If we assume productivity growth of such and such per cent versus whatever, it allows us to obtain this output for that input.” It is—and I realise that this was part of the commentary from both of you—very much focused on inputs rather than outputs; in other words, it is really about managing the top level instead of seeing what the outcome is. Is that a fair description?

**Richard Robinson:** As we have said, there are certain things in the documents that were not there previously—for example, there is some more information about the workforce as the Government understands it, some more information about spending scenarios, and so on—and those things are useful. It is also useful to see the breakdown in the table of actions at the back of the FSDP.

However, I agree that the timelines attached, and the statements in that respect, are statements of intent and action. They are not necessarily timelines relating to impact, which is a slightly different thing. There can be actions taken within certain periods, with deadlines attached to them,

but understanding when, over this five-year period, things will start to take effect would be useful.

What has been useful is the indication that we have begun to get in the publications of the difference in pounds and pence that preventative measures could make over the longer term. One issue—actually, it is not an issue; it is just an inevitability when it comes to budgets and medium-term plans—is that the costs of preventative measures are shown in black and white, while the cost savings and benefits will only kick in beyond the time period of the plans themselves. It is useful to have that sort of thing set out, but we should also expect some monitoring of that and an understanding of when these things will start to kick in.

**Michael Marra:** The list contains, for example, “3% recurring savings” for national health service boards and a new approach to adult disability payments. Do you have any understanding of what those things actually mean? Is it actually a cut to the boards’ budgets? Is it an efficiency? Do you any idea?

**Richard Robinson:** I think that that is probably a question for the Scottish Government rather than for us. There might be more information in the spending review.

**João Sousa:** I agree with Richard Robinson. I do not know what impact that would have and whether it is deliverable; indeed, I do not think that the Government is clear about how deliverable that is. Something that always worries me about some of these documents is the suggestion that everything in the front line will always be preserved. First of all, it is not clear that that will always be possible. However, you also do not want your doctors to be writing their own rotas or doing their own human resources; you need non-front-line services to allow the front-line services to operate efficiently. If you cut the back office, someone still has to do the admin. That needs to be recognised when people say, “Front-line services will be protected” or “All the money is going to the front line.”

**Michael Marra:** That relates to the operational side of things, and I do not think that we have any clarity on any of that. However, the more macro issue is that this “3% recurring savings” action has been written into the document almost as an assumption that those savings will be made in order to meet a target—that is, this £1 billion target that seems to have been set—while, at the same time, it is assumed that health spend will continue to grow. Do you have an understanding of how those two things interact?

**João Sousa:** It is perfectly legitimate to set targets so that leaders of health boards have something to aim for, and it is also possible that

some of this will be the difference between net and gross pressures. So, the pressure might be £1 billion above the 4 per cent growth that has been built in, but it is not clear from the document whether that really is the case. My assessment, therefore, is that that is not fully clear.

**Michael Marra:** Given that commentary, and given your concerns about the programmes, if, during the budget period, the cabinet secretary were to say to us, “This £1 billion cut has been baked in to close the gap,” would that be an acceptable approach from the Government?

**Richard Robinson:** I think that it is right to expect the Government to be clear about how it will address, in particular, the population health issues that have been raised by the SFC and which form a big part of your scrutiny. I raise that issue, simply because population health is the responsibility of not just the NHS and its spending—it falls within education and so on, too.

**Michael Marra:** I am sorry, Mr Robinson, but that is focusing on the outcomes. My concern is about our being presented with a supposedly balanced budget that mainstreams £1 billion of savings. We have heard doubts from various sources about how deliverable some of this is, whether it be on pay policy or a lack of clarity about how it adds up to an overall figure. If the Government were to come back with its draft budget in December or January and say, “We are banking on this £1 billion being saved so we can maintain the other figures”, would that be a credible approach?

**Richard Robinson:** It would be reasonable to ask the Scottish Government about achievability and how that fits in with the aim of addressing population health and some of these longer-term triggers that it has raised.

**João Sousa:** If the saving has been baselined, I would definitely expect that to be laid out clearly. If that is not the case, one should ask how the two things stack up.

I cannot tell you right now whether it is credible, because it also depends on the overall assumptions for the rest of the budget. However, if the budget contains further savings that have to be made, the Government should definitely be asked, “Can the savings that you have already baselined be delivered as well as the ones on top of that?” That would be a reasonable question.

**Michael Marra:** We have had three years now of statements from the Scottish Government of emergency cuts around this time of year, and I am hearing reports from the civil service of lots of very urgent meetings being held and very significant budget cuts being proposed within departments. Is there some threshold or point at which the Government would have to return to Parliament

and say, “There are significant challenges in delivering the current budget,” to allow us to understand and scrutinise that?”

**João Sousa:** It is very difficult for me to comment on any meetings that might or might not be happening, but I share the frustration about the continual emergency statements. After all, if they are happening every year, they must, at some point, cease to be emergencies.

That raise some questions, and indeed, we were asking last year whether the gap for contingencies that was being built in was too small. I appreciate that it is difficult for the Government, and it will require some willingness on its part to say up front, “We can’t allocate the full budget, because we do not know what will happen.” That would be a very sensible approach, but I appreciate that, politically, it could be very difficult. However, I would put that back to you as politicians and say that it is your role to make that case. I cannot tell you whether there is any particular threshold at which the Government will need to come back to Parliament.

**Michael Marra:** Mr Robinson, do you have anything to add?

**Richard Robinson:** Probably not on the threshold point. I do not think that we would have a view on that.

I come back to the point about flex. What we have seen in the past three years—and I know that this has been the subject of committee inquiry and pre-budget scrutiny work—is a number of significant in-year movements and volatility. Whether that continues is an issue for other people to come to an understanding of through forecasts et cetera.

It is important to have clarity on in-year movements, and it is important to have flexibility about what you can stop or which shovel-ready projects you can start during the year. During the cost of living crisis there was an emergency budget, which we highlighted as being useful, in so far as it allowed for scrutiny of the changes; however, it was also useful in the context of what it meant for, say, colleges and considerations in that respect. When it comes to the Scottish Government considering how it will act, some of it will depend on the extent of the in-year volatility.

**Michael Marra:** Finally, on the MTFS, I think that Mr Sousa mentioned the lack of prioritisation that the convener highlighted; indeed, I think that both of you referred to it in your submissions. Mr Sousa, you say that assuming no prioritisation cannot

“in practice ... really be true, and the MTFS thus continues to seem more like a political statement to manage expectations across the public sector rather than a true setting of the course of public finances”.

Is that a tenable position for the Government to take? Should we see that in the spending review when it is published? Do we need to see some departure in approach to the management of those public accounts?

**João Sousa:** Certainly, we would have hoped that the MTFS would have had more detail on that. As we have said in our submission, it seems as if its role, now, is to highlight all the difficult things that are coming down the track instead of being, strictly speaking, a strategy for dealing with them. We would certainly expect the issue of prioritisation to be addressed in the spending review; after all, its whole point is to set out the Scottish Government’s spending priorities.

**Michael Marra:** Would you agree, Mr Robinson?

**Richard Robinson:** Yes. I might sound like a dripping tap here, but I think that there needs to be some alignment between these different documents with different purposes. The MTFS is useful in setting out the Scottish Government’s take on the scale and make-up of what it is facing over the next five years, supported by the fiscal sustainability plan, which gives further information about the actions that it might want to pursue to address that over the medium term. What will need to sit underneath all that, whether it be through budgets or the spending review, is the granularity of spending intentions and priorities mapped across to that, as well as any other strategies for economic contributions that might come in and which build on tax strategies that have taken place earlier in the year.

**Liz Smith (Mid Scotland and Fife) (Con):** Should there be more focus on zero-based budgeting when it comes to addressing what you have just said about the economic impact of specific spends and how they articulate with the Government’s priorities, as you mentioned earlier, not least in terms of the effectiveness of those spends but also the opportunity costs, which you said were very difficult to measure?

**João Sousa:** I certainly would hope that there would be some move towards a zero-based review at the spending review. That approach certainly has broad support across the UK and is the way that these things are meant to be delivered in spending reviews. That is the overarching architecture of our spending system.

09:45

I am worried by the timing of the spending review and not because of the number of years that it will cover. We said in our submission that we would welcome multiyear budgeting, despite the recommendations a few years ago that you should not go beyond the end of a session of

Parliament, given that we have been so long without multiyear budgets.

The issue is the amount of time that the Scottish Government will have for conducting that review and whether it will be enough to conduct a full zero-based review. My view, from looking at how long the Government will have to actually conduct any review, is that it is not enough. As I understand it, the spending review will come out alongside the budget so, regardless of whether that is in December or January, that does not seem anywhere near enough time post the UK budget to conduct that. That is a worry.

**Liz Smith:** Do you share that view, Mr Robinson?

**Richard Robinson:** It would be reasonable for the Scottish Government to take what it thinks is the best approach based on a number of factors. One of those might be timeliness and timescales attached to that.

In the committee's meeting last week, a point was raised about the level 4 budget analysis as a step towards a better understanding of how spending decisions are working together and could be prioritised. That is a good step. With all these things, any Government will have to make a constant analysis of the acuteness of the pressures and how that is changing over time. The Government may choose to adjust course in due course. However, a more granular understanding of where there are flexibilities in the budget is helpful for the Government in understanding and being able to plan more proactively against its priorities how it might want to increase or decrease spending if the path over the next five years is different to the one that has been set out.

**Liz Smith:** Is anything impeding effective zero-based budgeting in terms of the data that we require to ensure that the effectiveness of policies can be measured? Obviously, the other side of the coin is that, if spending takes place, there is a reduction in spending elsewhere. Do we have the right data to be able to make those assessments? We have had discussions at the committee about the fact that some of the data, particularly on things such as the labour market, is maybe not as good as it should be.

**João Sousa:** The labour market statistics situation is a real worry. I mentioned in our written submission that, in some sense, we can know very little from the labour force survey about what is going on in the labour market in Scotland. We can know a bit from the real-time information from HMRC, but that is not a complete data set. There is a reason why we have always conducted that survey, particularly with things that require you to ask people about the reasons. For example, if you want to tackle the issue of ill health making people

unable to work, you cannot just go to the admin data set and say, "Why is this person not working?" You have to ask the person, and that means that you have to have a survey and therefore you need to have a way of making that representative.

What can we do in the absence of that? It would not be a good set of outcomes if we just said that, because of that, we can do nothing on employability. That clearly is not the right answer. We should expect ministers to be open to you in the committee about the judgment call that they are making and say, "We do not necessarily know exactly what is going on, but our view is that this is important and therefore we are still prioritising it." However, they should recognise that that is an area where they might have to change their view. It would then also be helpful for there to be an environment where, if the evidence regarding that changes, that is recognised.

It is an area where people are driving without all the directions and with some of the windscreen obstructed. You still hope that you are going the right way, but if something comes out that tells you that you are not, you should be able to put on the brakes.

**Liz Smith:** I have a question about a comment that the cabinet secretary made in her evidence last week at the committee in relation to the free school meals policy. I know that you cannot comment on that specific policy, but she said:

"We will not be able to roll out the universal offer as far as we had perhaps initially wanted to"

because

"we have to prioritise those children who are most in need."—[*Official Report, Finance and Public Administration Committee*, 2 September 2025; c 34.]

Without going into the details about free school meals, do you think that it would be helpful to have a debate about the effectiveness of universalism? To go back to my original questions, that would measure where the policy intention is having the most effect, as the cabinet secretary was implying, and perhaps less effect when it is being given to people who do not require that universal benefit. Would that be helpful?

**João Sousa:** That would be helpful. It is very reasonable for people to disagree about whether universal versus targeted provision is deliverable. I know that there are different views on that across the committee, which is perfectly reasonable. It is important to articulate why you think that, in a particular area, you might prioritise universal benefits or services over a targeted approach and how much more you are getting in terms of coverage, for example.

One area that always comes up is free prescriptions. When you look at the data, for example, for England, it turns out that something like 90 per cent of prescriptions are free, anyway. There are some areas where universal provision seems like it is a lot more than it actually is, and there are some areas where it encompasses a lot more of that provision than a targeted approach would.

**Liz Smith:** That said, there are aspects of universal provision where money could be saved. To go back to free school meals, this was not part of the cabinet secretary's evidence, but local authorities will tell you that, because of the number of free school meals that are not actually being used by those who are entitled, there is quite a lot of waste in the system. I would cite that personally as an example of where money could be saved.

The real point is whether the focus on universalism, which might in theory sound helpful, creates problems for the long-term fiscal sustainability of the country. We are surely in a very difficult period for that sustainability. I am just asking whether you think that some aspects of universalism must be reviewed.

**João Sousa:** All areas of public spending should be looked at regularly, and the approach of universal delivery versus targeted delivery should definitely be something to discuss. As I said—it relates to what you are saying—there are areas where universal delivery can have a much bigger impact than others on overall spending and overall effectiveness. Again, the decision as to whether to proceed is a political one and one that I cannot comment on, but I do not think that there should be any qualms about having a review point and saying, "Should we do this?" If the answer is yes, the answer is yes. I know that, often, having a review is code for, "This is what we will cut," but it is just good practice to keep things under review anyway.

**Liz Smith:** Thank you.

**Michelle Thomson (Falkirk East) (SNP):** Good morning. Mr Sousa, I want to talk to you briefly about the issues in the wider UK economy. It is anticipated that the UK black hole is £41.2 billion; debt is around £2.7 trillion. We have seen the yield on 30-year bonds. Potentially, there could be a sovereign debt crisis. You have referenced the very late autumn statement, with a potential impact here. One of the things that worries me is that we tend to take a very nearside view on some of the challenges for the Scottish Government without looking at the bigger picture, so I would appreciate your reflections on that economic reality. There is a good reason why there will be a very late autumn budget. I would appreciate your reflections on that, casting back to some of the

complexity and uncertainty that the Scottish Government needs to deal with.

**João Sousa:** The "black hole" that you mentioned—the potential gap of £40 billion in hitting the fiscal rules—comes from the National Institute of Economic and Social Research. The general consensus is that the figure is probably less than that. With some of the assumptions that NIESR used, although it was reasonable to make them, most people would say that they are towards the top end. Depending on what the Office for Budget Responsibility does in revising productivity growth—I should say that, in my view, that needs to be revised down anyway because it clearly is an assumption that has been too high for too long—we might be looking at £20-odd billion.

All those things look difficult, but they are not an acute fiscal crisis. They are more of a slow-burning issue. Although the issue of the 30-year gilts is headline grabbing, the UK now sells very few 30-year gilts, so the situation does not actually have an effect. We looked at this last week in some analysis that we did. Most of what has happened is investors in general trying to divest from very long-term bonds towards shorter-term bonds, which maybe slightly helps the selling of UK bonds, because we are selling more 10-year bonds than we used to.

Nevertheless, it looks like a relatively challenging budget that the UK Government has to deliver, particularly if you want to not change spending—it would be fairly difficult to reopen the spending review settlement. If the Government does not want to raise any of the taxes that raise two-thirds of revenue and does not want to borrow any more, something has got to give. Not all those things are achievable in the way that they are set out.

You mentioned the link to the Scottish Government. It is an interesting characteristic of the fiscal framework that the greater devolution of tax has caused the Scottish Government's budget to be more linked with UK conditions rather than less, because what matters is the net position between the tax revenues raised in Scotland and the forecast for that, and the forecasts for England and Northern Ireland revenues that the OBR does. That means that it is obviously more difficult for the Scottish Government to plan.

However, my counterargument to some of that would be that the situation is a product of the fiscal framework as it exists. The framework has been agreed by both parties and therefore you have to plan for the fiscal framework that you have rather than the one that you wish you had or that you think would be better. You can make the case for why it should be better, but you still have to deliver within those constraints. Ultimately, the Scottish

Government is responsible for balancing its budget.

I appreciate the challenges. Those can lead to what is, from an economic point of view, bad policy, because you have to adjust things in a way that you might not necessarily want to, but the risk is there to begin with. It is important to recognise that point as budgets are being planned because, ultimately, if something happens in the autumn budget or in March, the Scottish Government must have a plan for what it will do with a change in consequential or whatever it is.

10:00

**Michelle Thomson:** Following on from that, Mr Robinson, from your audit perspective, you are uniquely placed to take the view that the best predictor of future behaviour is past behaviour. Looking at the context, what do you sense is the appetite, based on reading the documents that we are discussing today, for real substantive change rather than keeping the ball bouncing in the light of the considerable uncertainty and complexity? You have long experience in your career. Is there real appetite for change, or are we just necessarily in the time, not that far away from an election, where we can bounce the ball beyond the election?

**Richard Robinson:** It is outside my remit to say. It is fair to say that, in the past, the Auditor General has commented on an implementation gap between the intentions and ambitions of reform and the realities. It is useful that, this year, we can see a public sector reform strategy alongside the fiscal sustainability delivery plan. It would be useful to see what is in the spending review and how it matches the ambition that is set out in the public service reform strategy and the MTFS.

Just to comment on the last point, all this is in the context of everything that is happening outside Scotland as well as within it. The relative performance of the rest of the UK matters in a number of ways. One will be relative tax policy and whether there will be issues in relation to devolved taxes that come through any UK Government decisions. Another is the impact on economic growth, based on some of the things that you talked about earlier. There is also the impact on spending of any changes that the UK Government chooses to improve its fiscal situation, which you set out. The SFC set out a little bit about what that would mean. It makes it much more difficult for the Scottish Government over the long term if the UK Government takes the path of lower levels of spending to address that.

In summary, it is important for the Scottish Government to be flexible, aware and aligned to what could come down the track and to reflect that

constantly through its MTFSs as live documents. Within that, there is the notion of keeping the approach firmly planted in the principles of the outcomes, whether those are set out in the national performance framework or the priorities in the MTFS.

**Michelle Thomson:** I will not go into the national performance framework, because I know that there are other areas of consideration there.

I want to pick up on a finding that the committee brought out some months ago that goes back to my questions about appetite. I forget whether it was the Cabinet Secretary for Finance and Local Government or the Minister for Public Finance who said this—in fact, I think that it was the former permanent secretary—but it became clear that workforce numbers are the exclusive preserve of the civil servants rather than Government. In other words, the civil servants have the final say on headcount.

I thought that was a very good example of complexity. Government might say, “This is what we wish to do,” but if the civil servants do not wish to deliver that, they are ultimately accountable. I can sense by the look on your face, Mr Sousa, that that is also news to you, but that seems to me to be quite fundamental as an example of why, although Government might set out good plans, it might not be able to deliver. I do not know whether you knew about that, Mr Robinson, but it is an important point that all of us in Parliament should remember.

**Richard Robinson:** I do not know the details of that particular exchange. A couple of years back, we did a piece of work on workforce challenges. At the fundamental level, it is about the right level of workforce that you need to deliver services. That will rely on a whole host of other decisions that affect that. For example, if an organisation uses digital in a certain way, that might reduce its workforce need. If it chooses to prioritise a growing workforce over reductions in other parts of the budget, as long as it can manage that within its budget and it is the right strategy, the element of flexibility to do that is important.

I wonder whether some of that might have been coming out in that conversation—I do not know. The workforce is an important factor in the budget and in delivery of services, and the issue is about how each public organisation works with the Scottish Government to understand the correct workforce level that it needs to deliver the services, including how it might change the way that it delivers services, whether that is through digital, new ways of working or what have you.

**Michelle Thomson:** You are absolutely bang on in what you say. You are illustrating by example some of the considerations that might be

made when undertaking reform, mapped against continued delivery. The point that I am making is whether, from a public administration perspective, we are missing a trick by not going back to the way we thought things were—that is, ministers and cabinet secretaries set the priorities and attempt to deliver against them, which is very difficult—and removing the civil servants or the former permanent secretary in this example. We need to make sure that they, too, are part of the mix. If it comes down to accountability and final say in the case of headcount, that to me is quite fundamental as to how we assess the probability of delivery. There is not a general discussion about understanding that complexity in the normal way of doing things.

**João Sousa:** Your point about headcount could be made more generally about all Government priorities. You have to have alignment between the people setting the overall direction and the policy and the people delivering the policy, who are the civil servants. It is not just civil servants; it is the public sector. Lots of people in the health service are not civil servants; they are employees of the NHS. In some sense, you have to bring the people who are going to deliver with you and sell them the vision of what you want to do.

I appreciate that that is difficult but, speaking from my personal experience when I worked in the public sector, I saw people willing to go the extra mile all the time to deliver ministerial priorities. Sometimes, the ministerial priorities end up being in conflict, which can be difficult, particularly when the financial side of things goes one way but then all the things that need to be delivered are the same. That then comes back to the issue of what is more important: hitting the budget line or delivering on the outcomes. At different times, those probably have different weights, but in some sense that also comes back to ministerial priority setting and being clear about what is most important.

**Michelle Thomson:** Yes—except, inevitably, turkeys do not vote for Christmas.

**John Mason (Glasgow Shettleston) (Ind):** Both of you mention population health and refer back to what the SFC has said, which is, broadly, that improved population health measures can improve the Scottish Government's long-term fiscal position—I presume that that will be because more people will get back into work and so on.

Mr Robinson, from your experience, have we ever been able to improve health substantially? Can we have any optimism at all that we could do that in the future? We have problems with obesity, poor diet and lack of exercise among young people, and the issue of mental health is much higher up the agenda now, but it does not look as though we are going in the right direction.

**Richard Robinson:** That is a big question, and people in public health might have more expertise on that than I do. Anecdotally, I would point out that we can compare levels of smoking when I was a young man—I was smoking myself—with the lower levels now.

The nature of the issues will change. You mentioned obesity. The FSDP sets out what the benefits of prevention working could be. There are examples of changes in social behaviour, advances in medicine and Government activities and legislation that have made a difference to certain elements of health. That does not mean that there are no benefits to prevention at a population health level. It is right to expect that corrections will help in a number of ways, such as those that the SFC and the Scottish Government have set out, whether that is through the level of take-up of devolved benefits, market participation or direct spending on NHS services.

**John Mason:** Mr Sousa, yesterday, a number of us met general practitioners in the Glasgow area. One of the practices said that it still has the same numbers as it had 25 years ago—nine GPs and 25,000 patients, if I have remembered the numbers correctly—but that it is absolutely overwhelmed, because the expectations of the NHS and the numbers of things that it can do are just growing and growing.

**João Sousa:** On your previous point about whether we have ever been able to improve population health, I think that we have been able to over the long term. Infant mortality used to be a huge issue, but it is not now.

I think that it is fair to say that we have also become a lot better at allowing people to participate in the labour market in important ways that were not possible previously. For example, if someone in a factory had been involved in an industrial accident, they might never have been able to work again, but, today, there are ways to work around such issues to allow people to participate in the labour market. The rise of office working has meant that many more people can participate in the labour market without having to have physically intensive jobs, so there is some good news in that regard.

I appreciate what you said about many more people accessing the health service. Part of that is because people live longer than they used to. That is good news, but it comes with a financial cost. That is just what happens. People are living longer and end up being able to live with certain conditions, so the issues interact with one another.

Ultimately, the SFC and OBR projections recognise a difficult challenge, which drives a lot of the assumptions that the SFC makes about long-term demand for health services. Having an older



population, with people with more complex conditions, means that there is more demand on the health service. That has been recognised by the fact that the health service budget has grown more strongly than pretty much any other Government budget, and it is likely that that will continue to be the case. I do not know the exact figures off the top of my head, but I think that health spending accounts for about 7 or 8 per cent of gross domestic product, and it will probably account for 15 per cent in 50 years' time.

Health is a necessity, so people will always flock to those services. The question is how we deliver them in the most efficient way—in a way that is financially sustainable and that addresses the health demands of the population. I appreciate that that is a lot to do in one go, but that will be the social policy challenge of the next 50 years.

**John Mason:** You have emphasised the complex needs of older people and so on, but what about the working-age population? Aside from demand for health services, from a purely economic point of view, is it realistic to think that we can get back into work more people who cannot work at the moment because of ill health? Are we making progress on that?

**João Sousa:** Some of what has been said is realistic. We probably cannot expect to get anywhere near 100 per cent of the working-age population into work, and nor should we. Over the long term, some people might need to take some time out of the labour force to enable them to get back into it, and some people might legitimately decide that they want to retire earlier, for example.

Are we making progress in that regard? I refer you to my previous statement to your colleague in which I said that, sadly, we know very little about the labour market, so I do not know whether we are making as much progress as we would like to make. I would love to have a survey that would tell us one way or the other.

10:15

**John Mason:** You mentioned the progress that we have made on infant mortality. However, at the beginning of your submission, you refer to the infant birth rate, which seems to be exceptionally low in Scotland, although I think that it is low throughout a lot of the western world. Have any countries managed to reverse that trend?

**João Sousa:** I am not aware of any that have fully reversed that trend, but I am happy to stand corrected if that is not the case. My understanding of all these policies is that they might change things at the margins, but only very slightly. Infant mortality and the birth rate are positively correlated over time—as one falls, the other falls. More women going into the labour force has also meant

that the birth rate has dropped. The change is due to choices that people have made, and I do not know that we can or necessarily should make massive changes, because a lot of it comes down to individual choice. We have to take some of these things as a given and design policy with that in mind.

**Richard Robinson:** I reiterate that the issues that we are talking about also affect the rest of the UK, even though the demographic make-up of Scotland's population is slightly different. Any measure that aims to support people towards better health is good in and of itself. However, in relation to the difference that such measures make to the budget, we should consider how they apply differently to Scottish demographics and whether particular Scottish Government interventions that are not in place in the rest of the UK might provide benefits to Scotland.

My other point is an obvious one. I try to catch myself sometimes in so far as saying that all these things have fiscal benefits and budgetary impacts, but, in relation to the standard line on the Scottish Government's priority to reduce poverty and the benefit of people working to extricate themselves from poverty, there are benefits beyond spending in the budget that could help to reduce poverty, including child poverty. It would be useful to understand those.

**John Mason:** Mr Sousa, in your submission, you say:

"The focus on how much is spent rather than results is as true for health as it is for social care. The latter being a particularly interesting case in Scotland, where government spending per person is around 50% higher than in England, yet little evidence exists of differences in outcomes."

Are you really saying that there has been no improvement?

**João Sousa:** No. The point that I was trying to make is that we should ask whether the level of additional spending reflects the difference in outcomes in order to see whether the spending is worth while. I agree that there is a good case for saying that there are probably slightly better outcomes in Scotland. That should have been reflected in my submission.

**John Mason:** I do not know whether you were thinking of referring to the Scottish child payment, because there have been arguments that that—

**João Sousa:** Yes. Lots of arguments can be made about that, but, ultimately, there is a broader question. It is important to focus on outcomes, not just on inputs. I would like you to take away that point from what I have said, rather than any specific debate on measurements.

**John Mason:** Fair enough. The fiscal framework has already been mentioned, and I

think that it was you who said that it was agreed by both parties—that might be up for discussion.

**João Sousa:** I think that I said that it was signed by both parties.

**John Mason:** Yes. Does it need to be fundamentally changed? There was not a major review of it last time. We need to focus on how our economy is growing in comparison with economic growth in the rest of the UK, which is largely influenced by London and the south-east. My personal feeling is that we can never compete with London and the south-east. We never have been able to do so. Therefore—this might be a political question, in which case you cannot answer it—do we need a fundamental review of the fiscal framework?

**João Sousa:** You are right that there was not a fundamental review last time. However, some changes were made that all sides agreed were sensible, including linking some of the limits to inflation. As you rightly intuited, it is beyond my remit to say whether such a review is desirable. You could imagine the fiscal framework working differently, but whether that is deliverable is a different matter.

I come back to the point that I made to your colleague. Regardless of whether one thinks that the fiscal framework should be fundamentally reformed, in the meantime, things have to be addressed under the current framework. An argument could be made as to whether the current circumstances are too much for the fiscal framework to bear, in which case you might think that it needs to be reformed, or you might think that it is delivering. That is more a political question than an economic question.

**John Mason:** Mr Robinson, the borrowing and reserve levels have been tweaked, but we have been warned that a £850 million negative reconciliation could be coming down the line. Should we be worried about that?

**Richard Robinson:** In the past, we have commented on the new risks and opportunities that have come with the devolving of taxes. That includes the sense of volatility in relation to how movements are managed between years. It is right to say that, if it transpired that there was such a negative reconciliation—there was some talk last week about whether that would happen, so let us keep a watching brief on that—that would be slightly beyond the borrowing levels.

Whether the borrowing and reserve powers are adequate is for other people to comment on—that is not a question for auditors—but the purpose of those powers is to allow some smoothing between years. We have talked about borrowing powers, but we expect the outturn for 2023-24 to be upwards of £400 million. Part of the issue involves

considering how to use reserves and other things to reflect the fact that, in some years, the Scottish Government will be up and that, in other years, it will be down, as opposed to saying that, in the years that it is up, it will put the money in its budget and that, in the years that it is down, it will borrow. If that is the Scottish Government's policy, that is what it is, but there should be clarity on how it will use its reserve powers as well as its borrowing powers to manage the inevitable fluctuation that there will be, as there will always be differences between forecasts and outturns.

**John Mason:** I do not want to ask you a political question, but, from a purely technical point of view, is it realistic or practical for the Government's borrowing and reserve limits to go up only by inflation, even though we have taken on a lot more responsibilities?

**Richard Robinson:** It is probably for the Scottish Government to consider the adequacy of that. We look at how the Scottish Government is managing with the powers that it currently has. So far, the forecasts and adjustments that are about to be made for outturns have been managed through budgets and through borrowing. It is probably beyond our remit to comment on whether the Scottish Government feels that that will be sufficient in the future or whether it wishes to have further conversations about the fiscal framework.

**The Convener:** Thanks very much.

I have to say, John, that I think that public health has advanced phenomenally in the past century or so. Life expectancy in 1900 was 47 in Scotland, and in that year in the city that you represent 14 people died of plague. We have since managed to eliminate scarlet fever and diphtheria; smallpox has been eradicated worldwide; polio has been eradicated; penicillin has been discovered; we have insulin; cancer deaths and heart attacks are a lot lower; and diets are better than ever. It is not just about things such as child mortality.

**John Mason:** Is that why the GPs have so much free time now?

**The Convener:** Well, there are still issues, but it is not quite how it was. Back in the day, my dad's sister died of scarlet fever, but I do not think that many people die of that now in Scotland.

Okay, the late Craig Hoy. [*Laughter.*]

**Craig Hoy (South Scotland) (Con):** Thank you, convener—life expectancy is something that I am now worried about.

Good morning, gentlemen. In order to balance its budget, the Scottish Government is setting significant store in looking at the Government and public sector workforce. In your submission, you note that

“more detail on size and costs of the workforce ... is useful”

and

“will aid scrutiny”

but

“an approach focused purely on controlling workforce numbers and pay costs will not address capacity issues and is unlikely to be sufficient to put public finances on an even keel”.

Could you elaborate on that and say what more should therefore be done both in relation to the workforce and elsewhere to get the public finances on an even keel?

**Richard Robinson:** In general terms, the fiscal sustainability delivery plan and the MTFS are quite clear that, although they intend to use workforce change as part of the mix, it will not be enough to manage the entirety of the issue, even though more clarity around the relative impact of that over time could be given.

We produced a report back in 2023 on workforce challenges. It was clear to us from looking at where the workforce is, how it is deployed and how much it is paid that the nature of reform and how reform affects the workforce are as important as just cutting numbers across the board and continuing to provide services in the same way—which could be simpler but could be more difficult. In the report, we give some examples of the digitisation of services helping to move staff into other areas. There is more potential in artificial intelligence, and I am aware that the Scottish Government will have AI and digital strategies in place.

What is important, and it probably goes back to the earlier questions about what the correct workforce with the correct skills and the correct numbers is, is that that will likely evolve depending on levels of service and how services are provided. Our point here is that, although the workforce will need to evolve and reform—and there will be consideration of its affordability—that will need to be in constant review against the broader reforms that the Government wishes to see within the Scottish public service.

**Craig Hoy:** That leads me to my next question. If you are talking about size, scale and function, one bit that seems to be missing from the debate is the productivity of the Scottish Government workforce. What more could the Scottish Government, supported by bodies such as Audit Scotland, be doing to look at the productivity of the workforce rather than simply its size and cost?

**Richard Robinson:** João Sousa may want to come in on this as well. We looked at productivity in last year's report on the NHS in Scotland. We would expect to see more on that, especially through the efficiency strand that the Scottish

Government has set out in its FSDP. Whether that is working differently or working with technology, or whether it has a capital or infrastructure element to it, we would expect that to be within the mix of how the Government considers efficiencies. If efficiencies are going to be about productivity—to go back to the earlier statement about doing more with less—as well as potentially a restriction in services, we would probably expect to see a number of elements that factor into that. It is fair to say there have been some concerns in the public sector and the private sector about productivity of late, and it is an important thing to address.

**João Sousa:** I would agree with pretty much all of that. Productivity is obviously important, and it would be important in delivering more with less or the same with less. That is something that the Scottish Government should definitely aim for.

Sometimes there is a different challenge in the public sector. I think that that has been recognised across the world; we saw it across the pond, in particular, with people stopping doing things. The Government cannot stop doing some things that are inefficient until it has an alternative for it. That is a challenge that has to be recognised. It drives some of the slower productivity growth, which is understandable, because there is a trade-off between growing your productivity and having provision for everyone who needs provision, because the public sector has to have a universal approach. That is something to bear in mind when we look at overall productivity figures for the public sector.

10:30

**Craig Hoy:** Is there a cultural issue emerging that relates to productivity but also to pay and conditions in the public sector and the private sector in Scotland? We see organisations such as BlackRock now saying that it wants staff back in the office three days a week, and senior management four to five days a week, but we see a different culture perhaps emerging within the Scottish Government. We heard the permanent secretary discussing how difficult it was to get civil servants to agree to go back into the office. We see a possible reduction in the working week in terms of number of days, and we have seen a reduction in the working week in terms of number of hours. Is there a sense that the cultures that are emerging in the public and private sectors in Scotland are at variance, and will that have an impact on the Government's ability to deliver productivity and efficiency through the public sector?

**Richard Robinson:** That is not something that we have covered specifically at this point. It is useful for the Scottish Government and all public sector organisations to keep a watching brief on

whether the working arrangements are helping or injuring their productivity. I have heard anecdotally about working from home increasing people's ability to work in some cases, which may relate to their caring responsibilities, as working from home might enable them to work when they would not have been able to previously or to take a different way of doing it. I understand that there is another side to that, which is the extent to which the cross-pollination of ideas can take place in an office. It would be an interesting area of research for the Scottish Government to explore. We have not done any more work on that at this point.

**Craig Hoy:** One of the other areas that you identify, and the Scottish Government identified, as potentially helping to save its bacon, is the pivot towards preventative spend. When I have listened to ministers discussing that, I have struggled with the definition of what is preventative spend and what is spending on problems that have a significant acuity. To take the example of the prescription of Mounjaro on the NHS, you could say that that is dealing with a problem of obesity that could have been dealt with earlier, but equally you could argue that it is preventative spending because it stops the acuity in the health issues that could arise out of somebody remaining clinically obese for a significant period. Do you get the sense that the Government has a clear-cut definition of what is preventative spend? If it does not have that, how will it be able to proceed towards the stated objective?

**Richard Robinson:** Again, that is one that you could ask the Scottish Government more about—you could ask it what its definition of prevention is and how it will go about that. There is a pertinent element to that, which is that, often, when you help people now, you are also helping them later. Therefore, to what extent can you differentiate the immediate help for someone with an obesity issue from how that will affect them and their heart in 10 years' time? There may be areas that are potentially more clear cut, where there is spending now that has a delayed impact. That could be through sport or medication or whatever it may be.

It is for the Scottish Government to state exactly what its definition is, but for us it is whether we can see spending that aligns with the objective of investing in future health. We raised this in our reform report last year and we saw in last year's budget a small spend-to-save programme coming through into the budget lines. We will be interested, as we move through the coming year, in how the Scottish Government is reflecting, reporting and monitoring the spends that may have less of an immediate return and more of a long-term one.

**Craig Hoy:** It goes further than the health service. For example, if you cut an employability

scheme, you are dealing with unemployment or skills gaps later. Does the Scottish Government need to do more work to classify it right across the board? Otherwise, it strikes me that it is problem solving all the time rather than preventing problems from developing. Is that just the nature of the short-term stop-go budget gap?

**Richard Robinson:** There is always a benefit in clarity and transparency about what you are trying to achieve with the spending and I absolutely agree that it is across all types of activities. Traditionally, the NPF has been part of the drive to have longer-term conversation and monitoring against long-term goals, which allows you to talk about the short-term spending decisions that have a long-term impact alongside the longer-term ones. We know that the MTFS is under a refresh, and I think that it is fair for us to expect a continued focus on the impact of spending on long-term decisions.

**João Sousa:** On measuring and classifying prevention, the Scottish Government is clear that it does not fully have that yet. It is helpful that it is looking to develop more of that and we highlighted that in our submission and our commentary on the MTFS. It will be helpful for the Government to deliver on that and put more detail into it. Everyone recognises that preventative spending is probably helpful and we think that it is helpful, but quantifying it is very hard. One of the problems with some of the categorisation of it within Government is an example of Goodhart's law—once a measure becomes a target, it ceases to have any meaning. If you try to categorise everything on whether it really is preventative or not, are you just encouraging people to put that forward in the preventative lens rather than the acute issues lens?

**Craig Hoy:** You mentioned earlier the misalignment between different strategies and workstreams that the Government is undertaking, but you note in your submission that the medium-term financial strategy does not refer to the national performance framework at all—there is no misalignment; there is just no attempt to align the two. The convener, Mr Marra and I spoke with the Scottish Government last week about its review of the national performance framework. I took from that meeting that, at best, there will be some tinkering with it but not a fundamental remodelling or reworking of what it does or what it is intended to do. You go on to mention that no performance data has been reported against 11 of the 81 current national performance indicators.

If we are to press ahead with something like the national performance framework and if it is to be useful, what would you like to see coming out of that? If it is to be a benchmarking exercise, presumably it is just an internal monitoring thing

and it should rest with the national statistician. If it is to be a toolkit, arguably an organisation such as Audit Scotland could have some interface with or ownership of it to a certain extent. What impression do you have of where the Government is going on this? If it is to be useful and valuable, and therefore we should commit further taxpayers' money to it, what would you like to see emerging at the end of this process?

**Richard Robinson:** You used the words "useful" and "valuable". To go back to brass tacks, what was the purpose of the NPF? One was to enable the Scottish Government to get a consensus about what the long-term goals were. It was to be something that it could map its shorter-term actions against, something that it could use to prioritise and make informed decisions and something that it could use to reflect and understand the interactions between different pots of money. We have spoken in this session about the links between spending on the economy and spending on health and on education and skills. That sense of it still remains.

We commented in the section 22 report that it was disappointing that some of the measures and indicators that were used to judge that progress have still not been collected. We would probably expect to see measures that are being collected or any outcomes that it has to have a solid model of accountability and monitoring underneath it, with regularly collected information. We would like to see that linked through to the spending decisions in the shorter term and the medium term, so there is a sense of the direction of travel over the longer term. Given the documents relating to the inquiry on population health and those effects up to 2074-75, the importance of maintaining a longer-term lens alongside shorter and medium-term challenges remains.

**Craig Hoy:** Is there a risk with all the different documents that come before us, including your reports—when I was on the Public Audit Committee, I could sense your frustration when you came back time and again on the health service or major capital projects and identified the same weaknesses in the system—that we simply cannot see the wood for the trees, because there is so much verbiage, and that a simpler approach to how we set, monitor, report back on and audit goals would be more useful for this committee, Parliament and the public at large?

**Richard Robinson:** Again, I think that there is a pertinent question to put to the Scottish Government about how it will manage its long-term priorities. At the risk of repeating myself, the benefit of having a framework for outcomes is the ability to be able to align, converge and marshal your spending and decisions towards what you want to achieve for future generations. It would be

interesting to see the extent to which the refresh or review makes any substantial changes or not. At the heart of it is whether this is being used to monitor and manage the impact of spending decisions and the achievement of priorities that go beyond the medium term.

**The Convener:** Thank you very much. I thank both our witnesses this morning. Are there any further points you feel we have not touched on that you would like to highlight?

**Richard Robinson:** Nothing else. It was quite a wide-ranging coverage. Thank you.

**The Convener:** Thank you very much. I will now call a break until 10.45 to allow a changeover of witnesses.

10:41

*Meeting suspended.*

10:47

*On resuming—*

**The Convener:** We continue our evidence session with a round-table discussion. I welcome Michael Kellet, director of strategy, governance and performance, Public Health Scotland; David Livey—who I think we may have met once or twice before—policy and public affairs manager, Scottish Council for Voluntary Organisations; Dave Moxham, deputy general secretary, Scottish Trades Union Congress; Mike Brown, treasurer, Social Work Scotland; and Ian McCall, policy and campaigns officer, Walking Scotland. I welcome you all and thank you for your written submissions.

We have about 90 minutes for this session. If witnesses wish to be brought into the discussion at any point, please indicate to the clerks and I will call you—I will not be asking each of you questions in turn.

I will start with an opening question to Dave Moxham. Do not act surprised, Dave; I told you two minutes ago we were going to start with you.

**Dave Moxham (Scottish Trades Union Congress):** I thought you were just throwing me a boomerang.

**The Convener:** We will start with a question to Dave Moxham, and anyone who wants to comment on what he says can let me know. After that, we will move around the table and cover a number of areas. There are some areas that people have made strong comments on in their submissions. I am sure that those issues will come up naturally but, if they do not, I will go to someone and say, "In your submission you said such and such" and we will take it from there.

In more or less the first paragraph of its submission, the STUC says:

“Scotland needs more workers. While migration is a reserved matter, the Scottish Government should be engaging with the UK Government, pushing for the devolution of powers relating to migration and employment law and for Scottish Government involvement in important cross-border institutions and decision-making bodies to ensure Scotland’s specific population challenges are heard at a UK level.”

To be fair, I think that the Scottish Government has tried to do a lot in that regard. I am not sure that UK Governments, past and present, have been too keen on migration. Can you talk about that issue, which is a very important issue at the current time?

**Dave Moxham:** Thanks, convener. I know that I have been at this committee before, so this may feel like a bit of a rehearsal but it seems to me that it is difficult to have a discussion about the balance between the economy and public spending levels if we do not acknowledge three key factors.

The first factor is demographic change, which I heard you discussing earlier. Demographic change is with us—it is a phenomenon across the west, but it is a very strong phenomenon here. The balance between those we will need to care for and, therefore, the number of people who will need to be economically active to fund that presents a future structural problem. There are ways to mitigate that through efficiency and other measures, but the simple message is that we will have to use a higher proportion of our income—I say that generically because there are different ways to approach that—to pay for that in the future than we do now.

The second factor is climate change, which we touch on in our submission. Whatever one’s view is about the balance of the private sector and the public sector in meeting the challenge of climate change, it is unthinkable that Government will not have to be more directive, more interventionist and more supportive in doing so, and that comes at a cost.

The third factor, irrespective of one’s view on the best way to sort it, is that we face highly difficult international conditions, resulting in increases in Government spending across the world on arms and munitions, which also comes at a cost.

As a result of those factors, the first thing to say is that we will have to pay more tax. The partner piece to that involves growing the economy, which can be done to some extent through active labour market policies to ensure that we have more working people, but that approach will have to be married with increased migration. I accept that, as you said, convener, that is not a popular thing to

say just now, but that does not mean that it is not true.

Our economy will increase to the level required only with some degree of immigration, aligned to other strategies, and there is no way that, in a decade’s time, we can be paying less as a proportion of our income in tax unless we want to see the decimation of public services and welfare provision in Scotland.

**The Convener:** Thank you.

**Craig Hoy:** Good morning, Mr Moxham. I want to discuss how Scottish trade unions enter into discussions with the Scottish Government on pay negotiations. You will be aware that the Government has set a public sector pay target of 9 per cent over the coming—

**The Convener:** Do you not want to talk about the issues of migration and taxation, which Dave Moxham just mentioned?

**Craig Hoy:** No, I wanted to come in on public sector pay.

On that 9 per cent target, you will be well aware from ministers that the Scottish Government has a fixed budget and that, therefore, its capacity to borrow or to fund public sector pay effectively comes out of other public services.

Over the years, as we have considered the Scottish budget, the finance secretary has said that she did not want to set out a public sector pay policy because that would become the floor through which public sector pay negotiations are conducted. What is the mood among your members on public sector pay specifically, given that we now have a 9 per cent policy over the next three years? That could be subject to change but that is the policy now. Is there an awareness that there will be cuts to front-line services if your members, particularly public sector unions, continue to press for pay settlements that are above that 9 per cent, which is what we are tracking towards at the moment?

**Dave Moxham:** There is an awareness that the Government has choices, which include a range of measures, such as reviewing its relationship with business and how much it pays business, and there is an awareness that it has tax-raising options. That is why we are one of the few organisations that will sit here and say that we have suggestions about how public pay should be financed.

We recognise that it is a difficult situation and that the Government has difficult choices to make, but we continue to have a public sector workforce that does a very good job and deserves to be better remunerated and to get pay restoration, and we will continue to campaign for that.

Negotiations are negotiations, and each one of those will be undertaken by the unions concerned, but I would lose my reputation if I said, “Great, mate, we’ll settle for less”. We will argue for the value of public sector workers to society and the need to fund decent pay rises for them, and that is not going to change.

**John Mason:** I agree with a lot of what you say about immigration and tax and that side of things. We hear words such as “efficiency” and “productivity” quite a lot here. Do you think that there is a lot of room for improved efficiency and improved productivity? If so, how do we do any of that?

**Dave Moxham:** I will say one overarching thing. I know that a lot of the discourse that you have had is predicated on the idea that there is a bloated public sector in Scotland—I am not saying that everyone takes that view or would use that language. People compare the percentage of the workforce that is in the public sector in Scotland with the situation down south, but we have to be really careful about that. I am not saying we are comparing apples with oranges but we might be comparing oranges with satsumas, in the sense that there are significant differences in the way that public services are delivered down south, where there is a bigger private element in school education and social care as well as in the health sector.

People might be being insufficiently granular in looking at those percentages. Schools is a great example. About 3 per cent of Scottish children are educated privately, but that figure jumps to 7 per cent in England. There is an even larger differential in social care.

When we look at the top-line figures, we have to be quite careful that we do not assume that there is something about efficiency in there. We are absolutely open to efficiency discussions. However, this is not my first rodeo when it comes to public sector reform, and I know that the problem is that those discussions tend to start too late. They happen when a problem arises, which means that the process is led by targeted cuts rather than proper discussions about what sector reform might look like.

The Scottish Fire and Rescue Service and the Fire Brigades Union have had a joint proposal on the table since 2022, which is investment led. By common consent, it is a great shared blueprint between an employer and workers for how the service can become more effective and more efficient over a decade and into the future. The problem is that nothing was done about that in 2022, and we are now in 2025 using cap-led approaches to public service reform.

However, we will of course have that discussion about efficiencies. Scottish workers are not going to sit by while people discuss their future without them having some input on digitisation and other efficiencies that can take place, particularly if those efficiencies can free up front-line workers to deliver the service that needs to be delivered. We will have that discussion—it is our duty to do so. I would add that it is often the workers themselves who have the best solutions and suggestions about the reform that needs to be undertaken.

**The Convener:** I will bring in Ross Greer next but I say to our guests that if you do not start answering questions yourselves, I will start picking on you.

**Ross Greer (West Scotland) (Green):** I will ask Dave Moxham a question but then try to open it up to everybody else.

The STUC has consistently come up with proposals to raise revenue, which is helpful. Very often in pre-budget scrutiny everybody comes to make a pitch for why there needs to be more spending in their area, so it is helpful to hear those suggestions. However, I am interested in whether you believe that the fiscal gap that we have can be addressed entirely through the revenue-raising options that you have set out in your papers recently, bearing in mind that a lot of the more substantive reforms that you are talking about would take three, four or five years to implement—council tax re-evaluation would probably take a minimum of three years, and some of the suggestions would require new primary legislation.

If you do not think that it could all be done through additional revenue raising, are there any particularly obvious areas of savings? It feels like your paper hinted at that in some areas, but it would be useful to draw that out.

To broaden out the question to everybody else, it would be helpful to hear whether you have even just one example of an area in which the Government could make obvious savings on its current spend, such as areas of low-value spend that could be redeployed elsewhere at a reduced cost.

**Dave Moxham:** The short answer to the first part of that question is no. As you rightly say, we are talking about three, four or five-year horizons for what we think is the necessary rebalancing of taxation between property and assets and wages. That is partly a recognition that Government is limited in what it can do with income-related tax change. We think that there is more that it can do, but we acknowledge that it is limited in what it can do because of broader effects.

I will give an example, just to indicate what could be done. I know that I always say this and I get very little obvious support from committee

members when I do, but we are spending a significant amount of money on the small business bonus scheme. I do not think that there is anything wrong with providing targeted assistance to small businesses, particularly when that funding is linked to fair work and growth. However, there has been absolutely no evidence that the—I think—several billion pounds, cumulatively, that has been spent on that has actually helped. What it is, really, is almost a welfare payment to some struggling businesses. I accept the value and importance of that, but I think that we need to look at how we support those businesses. Many people who oppose universality in many areas would find it difficult to justify their support for a universal payment to businesses irrespective of how well they do or their business structure, based on very crude criteria. I am not saying that I would get rid of that scheme, but I would certainly make it better, and that would save a couple of hundred million.

11:00

**The Convener:** I will bring in David Livey shortly, but before I do, you said in your submission:

“Reform should also be accompanied with upfront investment to enable change to happen, with associated savings achieved further down the line.”

Ross Greer asked whether you had any examples. Do you have any examples of areas in which you think that that could transpire and significant savings could be made?

**Dave Moxham:** I am sorry—do you mean in relation to public service efficiency reforms?

**The Convener:** Yes.

**Dave Moxham:** Frankly, that could happen almost everywhere. The most detailed answer that I can give involves the example of the Scottish Fire and Rescue Service, the proposals on which have been on the table for three years. I will stick with that example, because that is the one that I came prepared with, but I would be happy to send in a couple of other examples.

**The Convener:** That would be helpful—unless you want to mention any of them now.

**Dave Moxham:** No. In order to do that, it is necessary to have a fairly detailed understanding of what is on the table in various areas. I am sure that many of my unions would have that expertise, but I do not want to jump in and say, “You could spend £100 million in health doing X,” without having the stats and the information behind me.

**The Convener:** Okay—thank you.

**David Livey (Scottish Council for Voluntary Organisations):** In response to Ross Greer’s

question and the convener’s question, I would say that it is not necessarily a case of making a cut or a saving; it is about doing things smarter.

We think that two policy reforms in particular could make a big difference to voluntary sector delivery of public services. That is a big thing, which should not get lost in the conversation. Voluntary sector organisations deliver public services across the country. According to the stats for 2023, they received about £1 billion from the Scottish Government and £1.6 billion from local authorities for doing so. They deliver public services in a whole host of areas that are not incidental to people’s lives. I am talking about core services in areas such as employability, care for loved ones, community transport, mental health support—I could go on.

The big thing that we have been talking about for a long time—anyone for whom this is not their first rodeo on public service reform will know this—is fair funding for the sector. The landscape is one in which public funding for the voluntary sector can be pretty inefficient. Voluntary organisations are paid late, their payments do not increase in line with inflation, and they receive funding for only a year, which means that they have to reapply for funding year on year to do the same work. That needs to be fixed.

The Scottish Government is doing work on the issue—there is a patchwork of pilots on fair funding and multiyear funding models, the outcomes of which we are keen to see—but we have been talking about it for a long time. It is named in the public service reform strategy, which, from memory, refers to “static funding” as being an issue for the sector. That needs to be addressed. Over the years, we have done a lot of work with the voluntary sector on what is called—for anyone who is not familiar with the term—fair funding. That is one big reform.

Another big reform would involve cracking the partnership between the voluntary sector organisations and the public sector. There are different models across the UK. The UK Government has just introduced a covenant framework. In June of this year, Northern Ireland refreshed the public sector’s partnership with the voluntary sector. In Wales, such partnership has been in with the bricks since the inception of devolution, through the third sector scheme. We do not have anything similar in Scotland. The sector needs to have a new formalised partnership with public services, so work needs to be done on that. We have done some work with the sector ahead of next year’s elections, which I will not talk about too much. The sector would like a formal arrangement to be set in statute—something that is outcomes focused and protective of the sector’s independence.



Those two issues—fair funding and cracking collaboration—are tremendously important.

**The Convener:** In relation to multiyear funding, for years, the Scottish Government has said that it does not receive multiyear funding from the UK Government. Do you think that the spending review will be an opportunity to bring in multiyear funding for the third sector? In your submission, you mentioned the increased employer national insurance contribution costs. The Scottish Government received £339 million to deal with that, but the cost of the impact on the public sector is about £700 million-odd. Given that the Scottish Government has not received sufficient additional funding to compensate for that, how can it pass that on without having to take money from its own projects and programmes?

**David Livey:** I will deal with the multiyear funding issue first. We think that it is useful for the Scottish Government to take a multiyear spending outlook. Multiyear funding is a thing. We do not think that there are any significant impediments to providing voluntary organisations and public services with that surety. So, my answer to your first question is yes.

When it comes to national insurance, you are right. We opposed the chancellor's increased employer national insurance contributions at the time. Because it was such a well-trailed budget, we wrote to the chancellor in advance of it being announced to say, "Don't do this. This is going to be a problem for voluntary organisations." We have calculated that it will cost voluntary organisations about £75 million a year. Although some organisations pay less, those that employ five people or more are paying more, so that absolutely is a problem, but it is the new cost of doing business. In line with our fair funding ask, we want to make sure that grants and contracts from the Scottish Government reflect the cost of delivery, so we would like it to meet the cost of delivery in its own contracts and grants.

**Liz Smith:** I have a question about fair funding. On Friday, I visited a voluntary group in my area, which argued strongly that, when it comes to getting funding, it is easier to get funding for specific projects than it is to get core funding to support the operation as a whole, which threatens the group's sustainability and its long-term future. Is that something that the voluntary sector is concerned about across the board?

**David Livey:** Yes, that is one component of the issue. That is a problem. There are a number of different strands to our fair funding asks. One of our asks is for flexible funding. We want it to be possible for funding from grants and contracts to be used flexibly; in other words, we want it to be unrestricted.

A problem that we are seeing just now is that voluntary organisations are increasingly having to dip into their reserves to meet the cost of day-to-day delivery. That is a massive problem for an organisation's sustainability because, if the worst comes to the worst, the reserves are there for things such as winding up and paying redundancies.

**The Convener:** I will bring in Mike Brown and then Michael Kellet; there are too many Michaels and Mikes here.

**Mike Brown (Social Work Scotland):** I want to return to the question of how to grow the workforce. I think that migration is a problem, particularly for the UK Government, because, for many people, it has become a symbol of deeper issues that have been growing since the financial crash in 2008 to 2010. It will be difficult for Scotland to develop its own migration policies. That will be felt particularly in areas such as social care and nursing, which have traditionally relied on a lot of incoming labour.

Another area of concern at the moment is what to do about the increasing numbers of younger people of working age who are, for a range of reasons, including increasing mental health problems, physical disabilities and so on, unable to work. I do not think that we have quite got to the bottom of all the causes, although the situation has been exacerbated by Covid. It is clear, however, that there needs to be a big invest to save programme that includes support for workforce employability for people who are on those disability benefits. For many of those people, there will not be a quick fix because, in my experience, their problems are often quite complicated, but we need to plan that out across the third sector, local government and the health service in particular. I think that that is one of the major areas for an invest to save programme.

**The Convener:** I was interested by what you said in your submission about the Barnett formula, which you suggested does not take account of

"Scotland's comparatively older population, or lower healthy life expectancy, or wider deprivation inequalities, all of which are drivers for higher NHS spend in Scotland".

**Mike Brown:** That was perhaps a slightly casual stray into a really complicated area. However, it is the case that the Barnett formula does not do that. As you know, it relates to Scotland's share per head of the total population, compared with England, England and Wales or Northern Ireland. The Barnett formula was designed to reduce over time Scotland's higher public expenditure per head. There is a whole set of research literature on why that has not happened to any degree. It was a temporary move during the Callaghan Government, so it goes back quite a long way.

Reopening that discussion would be a bit of a can of worms, as it could result in Scotland receiving less than it currently does from the Barnett formula, because, as well as looking at our ageing population, which is ageing faster than England's, we would have to look at relative poverty in Scotland, compared with other parts of the UK.

That comment was really an aside. I was not recommending that we reopen the Barnett debate without doing a lot of preparatory work on what the implications of revisiting that formula would be.

**The Convener:** I wondered about that, because I do not think that Wales would be too chuffed about such a move.

**Michael Kellet (Public Health Scotland):** I am very grateful for the opportunity to give evidence today. I will take up your invitation and Ross Greer's, if that is all right.

The first thing to say is that I will not be making a pitch for more funding for health and social care in Scotland. That is not just because Public Health Scotland, as part of the NHS and the national board, is selfless. It is because we know that 80 per cent of what makes for good health does not relate to health and social care services but is to do with the social determinants of health, the environment that we live in and how we approach healthy behaviours.

My pitch today, which echoes what I said at this time last year, relates to the need for us to think about how we embed preventative spend more deeply in our budgeting right across the public sector in Scotland. When I was here last year, I talked about the Demos proposal for a separate category of preventative spend to sit alongside revenue and capital. Although that was not taken up, we find it encouraging that the Scottish Government is now considering how to track spend on prevention as part of its public service reform strategy. Workstream 6 in the public service reform strategy sets that out. That is also echoed in the population health framework, which we were instrumental in supporting the Government and COSLA to develop, and we will work with them on its implementation.

The committee might also be interested to know that we are working with NHS colleagues on how to track, identify and throw a light on preventative spend in the NHS, which should allow us to take informed decisions about protecting that spend.

That is my key ask for the committee today.

**The Convener:** I will resist the temptation to add my own tuppenceworth, because five people are waiting to come in, and I am sure that several of them want to speak about preventative spend.

11:15

**Michael Marra:** My question is on the point that Michael Kellet just made about the relationship with the core health spend. You are saying that it does not all go in one direction. However, surely, if there is a cut—for instance, the financial sustainable delivery plan proposes a 3 per cent annualised cut for health boards—there will be an impact on public health. As an organisation, do you have any clarity on what that 3 per cent cut means, how it will be driven through and whether it will impact your own activities?

**Michael Kellet:** Yes. I wear a number of hats in Public Health Scotland. I am not a finance professional, but, in effect, I wear the director of finance hat. For Public Health Scotland—it is my understanding that it is the same for other health boards—that 3 per cent is cash released through efficiency savings, which will be kept in the organisation to be reinvested in other work. It is a challenge for us to achieve those savings, given the nature of our organisation. A huge percentage of our spend is on staffing costs, and therefore making those efficiencies is challenging. I know that that is a challenge for other NHS boards as well.

You are right. One of the things that we and director of finance colleagues right across the NHS are concerned about is the fact that, when things are constrained financially, the upstream investment in preventative efforts can sometimes be the most attractive thing to reduce. That is a real worry for us, which is why we think that clarity around what is preventative spend—shining a light on that and tracking it over time—is important.

**Ian McCall (Walking Scotland):** My point follows on from what Michael Kellet has been talking about. We responded to the consultation because it seemed like an opportunity to support the move towards preventative spend. It seems that we have been talking about preventative spend for decades. The Christie commission reported in 2011, I think, and I get the feeling that we are only now in a position to start achieving some of its recommendations, through things such as the physical activity and health framework, which takes a systems-based approach. Getting people more physically active for longer is one of the biggest wins in public health. Our narrow area of interest is walking and wheeling, because those are the easiest ways that people can get more physically active.

The frameworks that we are putting in place perhaps offer an opportunity to have joined-up spending. For example, what helps people to be more physically active is the environment that they live in, and interventions of various sorts cut across lots of different policy areas. It is a question

of being more joined up in how we approach these things.

Walking is one of the easiest ways for people—particularly those on low incomes—to get physically active. They need no special equipment to do it, and it is an activity that they can continue into later life. Given the changing demographics, getting very inactive people more active and enabling them to stay active longer is crucial. I have an aged aunt who recently fell and fractured her hip. She has been very active all her life. She is 93 now, and she is walking about again, so she is a great advert for walking the walk, as it were.

**The Convener:** I have to say that I am obsessed with the number of steps that I do in a day. We can talk about preventative measures all we like, but the good thing about walking is that it costs nothing and delivers phenomenal health benefits for so many people, as you have outlined in some detail in your paper. It is one thing that I do not think we will have any issue with.

One issue that we do have with preventative spending—and I am pretty sure that John Mason will talk about it when he comes in—is that there is sometimes disinvestment in order to fund investment in preventative measures. That has always been an issue, but I will not put words in your mouth, John.

**John Mason:** You have just told me what I am going to ask about, convener.

**The Convener:** You have done it so many times in the past 15 years.

**John Mason:** I was actually going to put a question to Mike Brown, but, seeing as Ian McCall has just spoken about walking, I will ask about that. Is there a danger, or is it inevitable, that, when you advertise walking, you engage with people who are already a bit active and who get more active—which is good—rather than with people who are doing very little? You specifically mentioned people in deprived areas. Can you engage with them, or does the gap just get wider and wider? That is my second question.

My first question is for Mike Brown, and it follows on from what he said. I am interested in the part of your written submission that says:

“But reflecting on our members’ recent experience improving the productivity of social work services, through the adoption of technology, we have been struck by how many practical and cultural barriers exist, slowing development and implementation.”

There is also a bit about highly risk-averse attitudes towards sharing personal data. Could you expand on that a bit?

**Mike Brown:** No, not personally. We have a member of staff who runs a digital programme with social workers, and that paragraph was provided

by him. I can ask him for more information about it. The work is at quite an early stage and uses a particular piece of software, which you have to purchase, to provide notes of meetings, including ones that are not held on Microsoft Teams, which is a product that is widely in use. I am sorry if I sound as though I am hedging here—I do not mean to.

**John Mason:** That is fine.

**Mike Brown:** It saves a lot of social workers’ time—eight hours a week is the figure that is mentioned in the work he has been doing, which is a lot. Social workers are concerned about their large admin overhead, which is necessary because they need records of what they are doing—the planning with people for the outcomes that they want, and so on—on computer systems so that they can be tracked properly.

**John Mason:** Is your sector happy to talk about productivity? When I speak to teachers or health workers, I sometimes get the impression that they are a bit uncomfortable talking about productivity.

**Mike Brown:** Like most sectors, our sector is up for it to a degree. We are very interested in using new technology of the kind that we have been talking about. At the same time, social workers’ case loads have increased greatly in volume and complexity over the period of austerity—the past 10, 12 or 15 years—and they feel that the service is in crisis. There are also many recruitment and retention issues, as there are in social care.

The latest Public Health Scotland figures show that, as of August, there are currently 10,700 people waiting for an assessment, which is often done by social workers, or for a care-at-home package. There are a lot of pressures in the sector, and that can turn people away from what can seem to them to be glib talk about productivity when, actually, there is not enough time in the working week—even with a lot of unpaid overtime being done by social workers—to deliver the service that they are committed to.

With those caveats, I would say that the sector is up for further discussions.

**Craig Hoy:** Mr Kellet, I liked your appeal at the beginning, when you said that you were not necessarily looking for any additional money. That is probably quite reassuring for the Government at this point in time.

**The Convener:** You are Craig’s kind of guy.

**Craig Hoy:** I have two questions on a quite different subject. I asked the Audit Scotland witness earlier whether they had a better definition of preventative spending and whether we could get a categorisation that could be baked into a budget and therefore become ring fenced. Is there any international best practice around that that you

and the Government could learn from? It strikes me that preventative spending is still quite nebulous.

**Michael Kellet:** There is work being done on that. The work that Public Health Scotland has done is reflected on page 13 of “Scotland’s Population Health Framework 2025-2035”, which was published by the Government and COSLA just before the summer. It sets out a definition of primary prevention, secondary prevention and tertiary prevention. Primary prevention is about investing in the building blocks and preventing people from falling into the proverbial river in the first place. Secondary prevention is about focusing on early detection and supporting early intervention and treatment to reduce harm. Tertiary prevention is about how you care for somebody in the whole-person sense once they need health or social care. That is our definition.

We have been working with the Chartered Institute of Public Finance and Accountancy, which is interested in supporting the thinking in Scotland and the UK around the idea of identifying preventative spend. CIPFA is working with a number of local authorities in Scotland and elsewhere to progress that work. I talked earlier about workstream 6 of the public service reform strategy, and Government colleagues, including economists, are thinking about it within that workstream, too. It does feel as though there is some movement there.

I do not pretend that it is easy. The Demos proposal a year ago made it clear that defining prevention is going to be really important, because people could game the system. If everything can be defined as prevention, how do we protect what really is prevention over time?

It is a good question on a difficult issue. Not just in Public Health Scotland but across Government and public finance professionals, there is work going on to produce a workable definition, which I think would be really helpful.

**Craig Hoy:** I tried to find the evidence session in which this evidence was given to the committee. I cannot remember who gave this evidence, but we had somebody before us who said that one of the tensions in the NHS is the striving for more people—more surgeons, more doctors and more nurses. The analogy that they used was that putting more chefs in a kitchen that has no better equipment or that is not bigger will not necessarily lead to more throughput. Is there a tension because the Government—it is the fault of all of us, to a certain extent—is pressing for more clinicians et cetera when, in order to move towards real preventative spend, we need to change the narrative with the public and say that, actually, the old ways of doing things will not necessarily deliver? We know that we need to bring down

orthopaedic waiting lists, for example, so we do need to focus on that, but is there a trade-off and is preventative spend losing the argument at the moment?

**Michael Kellet:** I am not a spokesperson for the Government, clearly, but I would say that the NHS and social care service renewal framework, which was published alongside the population health framework, made it really clear that those things cannot be in opposition.

The emphasis on prevention is important, and the NHS does a huge amount of work on prevention. Public Health Scotland’s work with local boards on vaccines is just one example of that. However, the public has a right to reasonable treatment waiting times as well. So, one of the challenges for the NHS—I see territorial NHS board colleagues wrestling with this daily—is about how to reduce long waits, in particular, while also protecting the investment upstream in preventative measures. If we were able to clearly identify and track preventative expenditure, that would help decision makers in Government and local boards to get the balance right.

**The Convener:** I am going to come in again but, first, I will let the three people I have listed here speak.

**Michelle Thomson:** My first question follows the discussion about preventative spend. The tendency of any organisation or Government is always to want to spend money; that is a flat state. Michael Kellet, from your perspective, what consideration has been given to creating a culture in which personal responsibility can be actively considered as a part of prevention while recognising the very real challenges with some health issues?

I have another, general question for everybody. In today’s discussion, we have had what feels like quite a shift, whereby we are more prepared now to think the unthinkable. We had a discussion earlier about universality, and Dave Moxham commented on the Scottish business bonus arguably propping up zombie businesses. That brings me to a challenge for David Livey. Do we have exactly the same thing here, whereby we are, in effect, propping up zombie volunteer organisations that are not focusing fundamentally on their own financial resilience? It is not necessarily their fault, but, over time, it is easier to go for the low-hanging fruit of project funding. The general question is whether we have entered a stage where people—arguably for the first time and subject to the politics and whatnot—are prepared to think a bit differently across the public sector.

**The Convener:** Do any of our guests want to pick up on that?

11:30

**Michael Kellet:** I will pick up on the first element and the question of personal responsibility. It is an important issue and a tricky one on which to get the balance right. In Public Health Scotland, we think hard about it. Of course we want to equip individuals to make good choices about their health, but we need to recognise—this goes back to the social determinants of health—the impact of peoples' environments.

As the committee will know, one of the two priorities in the population health framework is on diet and healthy weight. The evidence is really clear that what affects how people eat and how many calories they consume is the food environment in which they live; how easily accessible and affordable healthy food is; and what happens when you go into a supermarket and are faced with discounts on chocolate and other things that do not improve your health. Public Health Scotland would say that we need to think hard about that food environment and that, if we get the balance wrong and send the message that it is individuals' fault if they struggle in that environment, that would be a retrograde step. It is a tricky issue but one that we think the population health framework gets right in recognising the importance of environmental factors.

**Mike Brown:** I would like to say two things about prevention.

In health and social care, one of the biggest reservoirs of prevention is in all the unpaid caring work that is done in Scotland. Unpaid carers are the largest workforce, if you want to regard them in that way, and concern has been growing about whether unpaid carers get sufficient support. If you look at the time series in the Scottish Government's health and care experience surveys, you will see that carers' satisfaction on all measures—there are about half a dozen, including their life-care work balance, their own health and the support that they get—has gone down in each survey, which is taken every two years. There has been a slight uptick recently, which is because, I think, unpaid carers' perceptions have changed now that we are coming out of the Covid situation and things are a bit better than the rock bottom that they hit during Covid. However, that is still a matter for concern.

We have the Care Reform (Scotland) Act 2025 now and the right to a break for carers, which is a right to have an assessed unmet need met by the duty bearer, which is the local authority, without further eligibility criteria.

**The Convener:** On carers allowances, this week, the Government has extended a young carers allowance to 19-year-olds and added a payment of £520 a year.

**Mike Brown:** I think that carers are doing well on the payment side with the carers allowance and social security. I am more concerned about what support is available to carers, particularly in the community. From the funding that will be made available over a 10-year period, probably from next year, to implement the relevant bit in the 2025 act, what is needed initially is a pivot towards the infrastructure for carers. Are there enough carer centres? Can people access them? In some areas of Scotland, there is no access to a local carer centre, which tend to be run by third sector organisations. Investment in the infrastructure is required so that there are facilities to support carers having a break, but that is not reflected in the third financial memorandum on the issue, which was published in a letter to this committee in May this year. Work still needs to be done to rebalance the support that will be coming for carers.

The reason why I started talking about assessment is because that is one of the areas without any additional funding in that final financial memorandum. There are defects in the funding being planned for carers, which is essential to maintain and, perhaps, increase the volume of care that is provided by unpaid carers, who are the people providing the most volume of care in Scotland.

**Ian McCall:** John Mason asked whether there was a risk of increasing inequalities in relation to physical activity. That is a good question. We know that more affluent people tend to be more physically active, and we know that the people who would benefit most from getting more active are probably those who are least likely to access the opportunities. Therefore, we have to be very careful about targeting the individuals and communities that we intervene with or help. I will be mindful of addressing that issue when planning projects.

**David Livey:** I want to come back to Michelle Thomson's question about the sustainability of voluntary organisations. Their sustainability is their own responsibility. They should have good policies on reserves and such.

Recently, the voluntary sector has been facing pretty significant financial challenges, which we have picked up through our research in what is called the Scottish third sector tracker. Financial challenges are the biggest issue that the voluntary sector faces, and it is a challenging time.

With public funding, we ask that funders do not make things worse. I commend the Social Justice and Social Security Committee's report into third sector funding principles that was published last year as part of pre-budget scrutiny. It contains a litany of examples and a host of evidence about bad practice making things worse. One example

included in the collection of evidence is of an organisation having to deliver a programme's entire year's worth of work in two months because of poor funding practice.

That is what we are coming at with our perspective on fair funding. It is obviously the Scottish Government's and public bodies' choice which voluntary organisations and which interventions they choose to fund. However, returning to my point on collaboration, the sector would welcome an outcomes-focused approach to working with voluntary organisations to tap into their expertise and know-how—and their reach into and trust from communities—to build services that work. On Craig Hoy's point, that requires a bit of a mindset shift on trust and, on the prevention point, it takes a bit of risk-taking in public sector funding and in the public sector. However, there is a range of preventative measures and interventions that the voluntary sector does that we know work, that have been independently evaluated and that are less risky. Some of them have been cited in my written submission as examples.

**Michael Marra:** We all recognise that the external funding situation has been volatile globally for a long time now. However, what the UK Government and, we are told, the Scottish Government are trying to do through the spending review process is to add some form of medium-term stability for organisations. What has SCVO's involvement in the spending review process been? Have you been brought into conversations about the process and what you see as likely outcomes of it?

**David Livey:** Our engagement is primarily with the Scottish Government's third sector unit. Aside from that, we lobby the Government ahead of fiscal events such as the medium-term financial strategy and the spending review. However, we are not, to my awareness, brought in directly by the Government's exchequer or the like.

**Michael Marra:** So, you have no real sight of the process. You are a key partner in the delivery of some services and you are asking for some form of stability around that. It strikes me that, if multiyear funding does not happen in this spending review, it will never happen under this Government. This is the period where there is foresight of three years across UK Government funding. We are told that that should be stable—although there are always events and all that comes with those—so now is surely the opportunity.

**David Livey:** We would definitely like multiyear funding to come out of the spending review; we had hoped that it would be in the medium-term financial strategy, but it was not. Obviously, as I have said already, the Scottish Government is

running a patchwork of pilots in its fairer funding work, but there is nothing more systemic and longer term. If there were, we would definitely like to see and be involved in that.

**The Convener:** I will bring in Craig Hoy and Mike Brown in a minute or two. First, I have a question for Michael Kellett, which goes back to the subject of preventative spend.

In the first three years of the 2011-16 parliamentary session, John Swinney had £500 million available to embed the preventative spend approach. At that time there was resistance, particularly from the NHS, about disinvesting in some projects or areas that were not as effective as others in order to then invest in preventative spend. Some momentum was lost subsequent to that period.

Is it Public Health Scotland's view that investing in prevention now will reduce demand later, and so disinvestment might not be as necessary as one might think? Craig Hoy gave the example of Mounjaro to illustrate that investing successfully might reduce the number of people who will need operations five years from now, or reduce the incidence of heart attacks and strokes. That would inevitably bring savings, so disinvestment is perhaps not as essential as we thought previously. What is your view on that?

**Michael Kellett:** I was not around in the period that we talked about.

**The Convener:** I know—you are just a youngster.

**Michael Kellett:** I was working elsewhere in Government at that stage, convener. However, your point builds on what the Scottish Fiscal Commission has told us about the various scenarios. We know that if we can improve the health of our population, that will be good not only for their own health but for that of the economy and for fiscal sustainability, so taking such an approach is absolutely important.

Would I go so far as to say that it means that considering disinvestment is not important? It is always imperative for any public service, including the NHS, to think hard about the return that it will get for any investment. I will give an example of the challenges that we face, which involves considering the inverse care law. Many economists would say that the pattern of health spending does not match need and that, in fact, the flipside of that is true, in that much of our investment goes to areas where there is not the greatest need.

I should have said, in response to Michelle Thomson's question, that shrinking health inequalities is a huge preoccupation for Public Health Scotland. Of late, such inequalities have

increased rather than decreased, which is a real concern for us. From our perspective, we need to think hard about the debate on universalism against targeted services, which you mentioned earlier, convener. We need to think through those issues very carefully if we are to better support the people who most need such services. That applies to both health services and other types of service, bearing in mind my earlier point about the social determinants of health.

I am not sure whether that is even a vaguely coherent answer to your question, convener. However, the point about recognising improved health is vital, both in itself and to sustainability in the fiscal health of the nation.

**The Convener:** Your answers have been very good and also very coherent.

I will go back to an issue that you touched on. In the health service the problem is that demand always exceeds the supply of resources, by which I mean both people and money. There are often arguments about, for example, whether £50,000 should be spent on a cancer-busting drug that might give a patient only a year of life, or three months of good-quality life, or whether that money should be spent on providing 10 operations, doing coronary artery bypass grafts or taking other simple, straightforward measures. How is Public Health Scotland working to address that? Such situations can be very emotional. To someone who has a relative with cancer, a drug that could give them an extra year of life will be all important. However, the NHS has to look at other potential considerations.

**Michael Kellet:** Absolutely. The committee will know that Public Health Scotland is the holder of data on the performance of our health system and, increasingly, our social care system, as well as that on the health of Scotland's population. We work actively with local boards so that they understand the data and can use it to help them make such decisions. Deciding whether to invest in an expensive cancer drug as opposed to investing upstream—in a children's centre, for example—is undoubtedly difficult.

When I used to work in Government we explored such issues with the Scottish Medicines Consortium. We thought about using the concept of quality-adjusted life years—or QALYs—which, from an economic perspective, are a means of identifying a return on investment, in the form of how many healthy years someone might have in return for a particular health investment. However, that is a very difficult approach to apply in the prevention space. Those difficult decisions are for ministers and local boards to make, whereas Public Health Scotland's role is to support them in gathering, understanding and interpreting the data.

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

11:45

**Craig Hoy:** My question for David Livey concerns the financial pressures that many voluntary organisations are feeling. When I used to be a councillor I often had to look closely at funding applications. I would notice how difficult such organisations found it to pay their staff and keep the lights on in their premises, as Ms Smith mentioned earlier. Are such pressures making those issues worse? When I used to look at those applications, I would notice a pay gap, in that people working for voluntary sector organisations—which, in many senses, fulfil what should be the role of public services—seemed to be paid significantly less than they would be had they been working for local authorities, for example. Are those pay gaps extending and widening?

To go back to the point about preventative spending, if the voluntary sector cannot fulfil the vital services that they provide, the responsibility for doing so will roll back on the state, at, I assume, considerably higher cost. Are you noticing any deterioration in pay and conditions in the sector? How aware are central and local government bodies that if we lose those voluntary organisations the upstream costs down the line will be much more significant?

**David Livey:** I will start with how the voluntary sector compares with the private and public sectors on pay. In the latest Office for National Statistics annual survey of hours and earnings stats, on median hourly pay the voluntary sector lags behind the public sector but slightly ahead of the private sector. However, the position changes if we look at mean measures and at annual pay rather than hourly pay. I will not spend too much time on the point, but there is certainly a lag between the voluntary sector and the public sector.

We agree that that is an issue for voluntary organisations that deliver public services. Part of our fair funding ask is to ensure that contracts and grants that come to the voluntary sector allow organisations to pay well, and to recruit and retain staff. Contracts that offer sub-inflationary pay rates are a real problem for staff morale and for recruitment and retention. Mr Hoy is correct to say that it knocks on to delivery of services, too. We would like to see contracts and grants come to the sector already fair work proofed, so that the voluntary sector can deliver that aim.

**Mike Brown:** The other point that I wanted to make on prevention concerns spend to save. Last year, for the first time—in recent years, at least—the Scottish budget included a spend-to-save

fund, but it was set at only £30 million. Had that been the funding level for one of the smaller councils it might have made a difference, but that was the figure for the whole of the public sector in Scotland. The size of the fund must be upscaled dramatically. Major disinvestment will not be possible for many of the services concerned, because they are needed by the people who use them.

The lack of double running costs has been one of the major obstacles to making more progress on prevention. It would be better if we had a larger spend-to-save fund and some infrastructure around people and research. Perhaps some of that already exists in Public Health Scotland, but it does not in the public sector more generally.

For example, the Scottish Government recently published a useful piece of research entitled “Learning from 25 years of preventative interventions in Scotland”, but it covered only 15 programmes. What is needed is to collate all the relevant information, some of which exists in other parts of the UK, to understand what works in particular prevention initiatives, what the rates of return are, and which roll-out or upscaling issues would need to be addressed so that there could be, say, a centre of excellence with all the information needed to support public sector prevention work. That does not exist at the moment.

**The Convener:** One of the issues with spend to save is that you have to have the money to be able to say, “Let’s take that away from existing services to invest it long term.” There is an issue about the gap that we have, which is £2.1 billion in capital and £2.6 billion in resource as things stand over the next five years.

Dave Moxham, you are suggesting that taxes should be increased and you said in your paper that there should be a tax review. For example, you said:

“Taxing wealth in the short-term via a focus on particular categories of wealth, while exploring options to tax net wealth. Making polluters pay... Scrapping or re-designing tax reliefs.”

You have already mentioned the small-bonus scheme and replacing the council tax. Can you elaborate on that a bit more?

The issue, of course, is that there is resistance at UK level. Jonathan Reynolds, for example, who was business secretary until last week, said that it was just plain “daft”. Eight of the 12 countries that have brought in wealth taxes have since removed them because they do not feel that they bring in the revenue.

There is also an issue about behavioural response. Some sectors such as finance and engineering have said that they cannot attract the

people to Scotland that they would like to because we already have higher tax levels. Can you elaborate more about how such taxation would be delivered?

**Dave Moxham:** The first thing to say is that these things are easier to deliver within what you might call unitary jurisdictions. With anything that we are talking about, it is easier to deliver at a UK level than a Scottish level.

**The Convener:** I think that we would all accept that.

**Dave Moxham:** We are entirely aware of that.

There are some reasonably positive examples of people moving back to wealth taxes, as they are in Spain just now. Our view is that the best method or the best path for wealth taxes is progression.

We think, obviously, that we need the swiftest possible review of domestic valuations. That would bring about the potential to introduce proportional property taxation, and that in turn would open up the potential to look at wealth taxes. As I am sure that you know, all of those need to be legislated for on a Scottish basis and delivered on a local basis, which is one of the weaknesses compared to a UK-wide approach.

Step 1 would simply make things fairer. We are talking about some of the regional disparities that we have. Step 2 would mean that immovable assets are subject to more tax compared to income, and step 3 would allow us to ask how that can be used to generate more taxation as well as to reintroduce fairness and get away from the ridiculous situation where five times every decade we freeze the council tax because people cannot bear the thought of how iniquitous it is. That would allow us to move on. It would be the foundation for looking at wealth taxes, because a big part of people’s assets—their immovable assets—would be counted.

If we could agree a programme for that and we got to progressive property taxation and said, “Wealth taxes are quite difficult and not enough has happened at a UK level,” we would be quite happy to discuss that. However, as I said, that is a progressive approach that makes tax fairer and recognises how much wealth is now bound up in asset rather than income. That has been a big change.

**The Convener:** You make a point, because one of the issues about income tax is behavioural change. The Scottish Fiscal Commission will say that, because of behavioural change, the Scottish Government will not raise 80 to 90 per cent of the amount that it hopes to raise with the top level of tax. That is not necessarily people moving elsewhere; they can just decide to work fewer



hours. However, a property tax is on something that is there—it cannot be avoided.

How could that be delivered without cross-party agreement? That is the issue. There is no consensus about how that could effectively be delivered. One of the reasons for that is that people are concerned, particularly six months before an election, about the response of voters. Professor David Bell said last week that if you give people an extra £500 they just shrug their shoulders, but if you take £500 away from them they are ready to lynch you. People who gain are not particularly impressed, but the people who lose out are extremely upset.

**Dave Moxham:** Yes. I cannot take political responsibility for the public being not prepared to stand up for the right thing, but I recognise that people are 10 times angrier when they lose a fiver than they are when they are happy when they gain a tenner. I recognise that absolutely, which is why we have been arguing for years that we need political consensus on this.

Apparently there is an exception. Most of the political parties in the Parliament just now support this. Nearly everybody in Scottish civil society and nearly everybody in the Parliament agrees with us about this, so how do we unblock that? The only way in my view that we can unblock that is by civil society saying, “Come on guys, let’s all have a chat about this. Let’s take away the political risk from the party of Government and the parties of Opposition and say that we just need to do this.” Everyone knows we need to do it—or nearly everyone.

**The Convener:** No one else has asked to come in, so over the next few minutes I would like to give everyone an opportunity to make a final statement, which I always like to do at a round table. Dave Moxham, you will be the last to make a statement because you were the first. You will get the last word. I will give the other four the opportunity to say anything that you feel that we have not covered, or something that we have covered but you want to re-emphasise. Who wants to go first? If nobody does, I will just have to do eeny, meeny, miny, moe. Do I have any volunteers?

**Mike Brown:** One issue that we have not really covered is the transparency or otherwise of the whole process. I had a lot of problems when I came to look at the medium-term financial strategy, particularly its treatment of local Government. I do not think that there is enough splitting out of the forecast spend on the number of portfolios that are affected. We will see that in the spending review, but it needs to go further.

I do not want to keep harping on about social care, but social care was treated as a spending

line in its own right in the SFC’s fiscal sustainability report, which deals with the longer term rather than the medium term. There is an issue that the Scottish Fiscal Commission mentions in its August fiscal update about whether we should be expecting the spending review to have a longer time horizon because of issues such as climate change and so on. The on-going fiscal gap will not last just for the next five years.

Such a change would be helpful, because it is hard in the medium-term financial strategy to work out the complexity of what is being modelled in local government, where there are different rates of inflation. Some models are based on pay rises and some are based on the GDP deflator applied to different sub-services—whether that is staff or non-staff—and there is implied growth of 3.3 per cent in the social care budget as a result of demographic changes that has never been received in practice.

You want not just the spreadsheets of figures and the things in the report; you want the modelling. There is no reason why that should not be put in the public domain.

**The Convener:** To be fair, we touched on that in the earlier session, but I take on board everything that you said there.

**Michael Kellet:** I will say three things very quickly, reflecting on the discussion that I heard earlier. I will join your camp, convener, on where we are in population health in Scotland overall. As you said, we have seen decade after decade of improvement in life expectancy and healthy life expectancy, but we know that that stalled in the early 2010s and plateaued, and from 2019, around the time of the pandemic, population health and health inequalities got worse in Scotland.

12:00

However, one of the things that we are bullish about in Public Health Scotland is that we should be optimistic. We have improved population health in the past, and we can do it again. We have seen the stats around the smoking ban and what happened there in reduction in admissions for childhood asthma and heart attacks.

There is also the work that we have done even very recently, which the committee may have not heard about. The new respiratory syncytial virus vaccine for pregnant women has meant that over the past winter period more than 200 babies were not admitted to hospital because of RSV infections who would otherwise have been. Population health is challenging but there is room for optimism.

The second thing is preventative spend. I have said quite a lot about that, but having the

committee's continued weight in the probing of that agenda and whether we can do more to identify and track preventative spend would be welcome.

The third issue, which we have not had the chance to talk about today, is important in this context. It is the importance of action in local systems on how budgets are dealt with and how preventative investment is protected.

We are doing work, which I spoke about last year, with Michael Marmot and his Institute for Health Equity in three areas in Scotland. We call it the collaboration for health equity in Scotland, and it is based in Aberdeen City, South Lanarkshire and North Ayrshire. The Scottish Health Equity Research Unit is a fellow institute of the Fraser of Allander Institute at the University of Strathclyde and it is doing interesting work with Edinburgh and North Lanarkshire. There is also interesting work going on in Clackmannanshire about how you bring together partners locally, including the voluntary sector and the community, to make decisions about how to improve the wellbeing and health of the population. In addition, we are a member of the Scottish prevention hub, which is based at the Edinburgh Futures Institute at Edinburgh university and works with Police Scotland to think about how we can advance the prevention agenda.

The last area is an interesting piece of work that I heard about only recently. The Edinburgh Regenerative Futures Fund is a fund that was set up by the City of Edinburgh Council with investment from not only the council but philanthropic organisations. It was designed to invest long term in projects to support the health and wellbeing of the population of Edinburgh, with a particular focus on climate and on tackling racism, and allowing people from the community to take the decisions about those investments. That investment is of 10 years' duration.

There is lots happening locally in this space that I should have spent a bit of time on earlier, convener. Thank you.

**The Convener:** You have said it all now, and that is important for the record.

**David Livey:** I want to pick up Mike Brown's point about transparency in the public service reform strategy. A lot of stuff in the strategy that relates to the voluntary sector is very welcome. There is a workstream dedicated to community planning, and there is language in there about being keen to progress the Scottish Government's fairer funding promises and things such as collaborative commissioning. All that great language is very welcome, and we would like to see progress on it.

Audit Scotland had picked up on the fact that it is not altogether clear and there is not a lot of transparency about how the progress on those things will be reported on. We would like to see the timelines, monitoring and reporting, so that we can see what progress is being made.

The second point that I would make—I will come back to how I started—is about reform. We have been talking about a lot of this stuff, such as involvement of the voluntary sector and delivery of public services and how that could be made better, for a long time now, so we are keen to get on and see progress.

I have already talked about fair funding and I will not bore everyone with that. Obviously, the spending review is a good opportunity to see progress on that. If we crack the collaboration thing with a new formalised relationship between the Scottish Government and the voluntary sector that is set in statute, that could be spread out to the public sector more generally. That would improve the working relationship between the voluntary sector and the Scottish Government in the delivery of public services. I will stop there. Thank you.

**The Convener:** Thank you.

**Ian McCall:** Thanks for the opportunity to speak to the committee. As you said, our response is fairly narrow in its scope, focusing on the importance of walking and wheeling in improving people's health and as a preventative measure. It has been good to expand that a bit in the meeting. Thank you.

**Dave Moxham:** I compliment the committee generally on not making the mistake of implying that public sector workers and their function is a problem. Our members have gone from being superheroes three or four years ago during the pandemic to being implied, in the public discourse and by some politicians, as being the problem. That is not very nice, but more importantly than that, it is not a very good way to go about public sector reform.

Mike Brown talked earlier about a particular initiative in social work that Social Work Scotland is doing. His people will be motivated by managing their workload and doing the best job for their clients, not by the implied suggestion that such initiatives are a good way to lose one member of their staff, or that colleagues will go by the wayside. How we go about public sector reform, how we involve workers and how it is framed—in terms of it being about better outcomes for the people who they care for rather than about top-down budget cuts—are really, really important if we are to get the best outcome.

**The Convener:** Thank you very much for that. I want to thank all of our guests this afternoon. It

has been an interesting and very helpful session for the committee.

I will now just call a break until 10 past 12 to allow our witnesses to change and to give members a break.

12:05

*Meeting suspended.*

12:11

*On resuming—*

## **Scottish Fiscal Commission (Appointments)**

**The Convener:** The next item is evidence taking on two nominations for appointment to the Scottish Fiscal Commission. As members will be aware, the Cabinet Secretary for Finance and Local Government recently wrote to the committee, nominating Dr Eleanor Ryan and Justine Riccomini as SFC commissioners. Members have received copies of the nominees' CVs and the personal specification for the roles, and we will take evidence first from Dr Ryan and then from Ms Riccomini. We have around 50 minutes for this item.

I welcome Dr Eleanor Ryan to the meeting. First, Dr Ryan, I congratulate you on your appointment, subject to parliamentary approval.

I note that in paragraph 10 of your statement you say that your consultancy business depends heavily on effective communication. Does that extend to having submissions with fonts of sufficient point size that you can read them? One of the concerns that I have about your submission, and that of your fellow applicant, is that the writing is so tiny that, short of a magnifying glass, I would not have been able to read it. I had to get the clerks to increase the point size. It might seem like a minor point, but it is certainly significant.

I bet that you did not think that you would be asked that.

**Dr Eleanor Ryan:** Good afternoon, convener. I am very sorry about the point size.

**The Convener:** I will move to the main point that I want to ask about. What direction do you think that you can take the Scottish Fiscal Commission in? There is quite a difference between you and, indeed, Ms Riccomini, and the two outgoing professors, who are very much from an academic background. Your background is considerably different. Your CV is, of course, excellent; you were very much involved in the establishment of Revenue Scotland, which is, I would think, a really significant thing on anyone's career path, and you also have lots of experience in the Scottish Government, where you were a director. What do you think that your imprint will be on the Scottish Fiscal Commission?

**Dr Ryan:** My understanding is that the decision to broaden the specification for the commissioners comes from the Organisation for Economic Co-operation and Development report on the

commission and its recommendation that perhaps a broader skill set would be helpful.

I have spent many years in public finance, initially in the Treasury, and then in Scotland around the time of devolution, when I worked on the original devolution finance settlement. I had some other public service roles, including with the Scottish Court Service, and then I returned to finance and worked, as you say, on setting up Revenue Scotland and the early budgets where the fiscal framework applied.

Perhaps I bring—can I say?—a practitioner's view. I understand how some of these things work within Government, and I hope that that will bring some richness to the commission's analysis.

**The Convener:** So, as well as bringing your obvious abilities to the role, you are looking at how, perhaps, you can broaden the Fiscal Commission's outlook. Obviously, the commission has a specific remit, but do you feel that, even within that remit, the commission is allowed to explore new areas of work?

12:15

**Dr Ryan:** My understanding of the role of the commission is that, yes, there is scope for it to do more, and the OECD recommended that it did more work on sustainability of the budget. I caught just the end of the discussion that the committee was having this morning, but I know that there are a lot of very complex issues here. A Government budget contains a lot of moving parts, so choosing which things to look at is probably as important as the analysis itself.

You could, of course, analyse everything, given enough time and enough resource, but I doubt that that would be helpful to the committee, and I doubt that it would be helpful to Scotland as a whole in understanding what is going on. It is about finding the things that are critical and trying to analyse and explain them as clearly as possible.

**The Convener:** I have one last question, because I know that colleagues are keen to come in, and it is on the issue of communication, which I have already touched on this morning. The OECD has said that relative to, for example, its Dutch equivalent and one or two others, the Scottish Fiscal Commission, although doing an excellent job at all levels, could do more to broaden its impact on the Scottish media and the wider public. I know that that is pushing a lot uphill, because I am not convinced that the majority of people in Scotland are necessarily interested in the fine points of the commission's deliberations, but what can you do to enable the Scottish Fiscal Commission to have a bigger impact with stakeholders as well as with the wider public in Scotland?

**Dr Ryan:** I agree that that is not an easy thing to do, but it is extremely important. I do not think that it is particularly important that people think about the Fiscal Commission and its role, but it is very important that there is good, transparent and accessible analysis out there to help people understand what are very complex issues, such as climate change, budget gaps over time, tax choices and so on.

My experience is that if you want to reach some of the groups whom you do not traditionally reach, you have to ask them things and work with them. You have to go and find people, talk to them about what is possible, hear from them about what they are interested in and navigate a way through. My experience is that, if you want to communicate with different stakeholder groups, you have to ask them what works.

**The Convener:** Thank you very much.

**Michael Marra:** I should start by saying that, compared with the convener, I have fewer concerns about my eyesight.

What do you believe are the most significant medium-term risks to the Scottish economy?

**Dr Ryan:** Oh my. With the caveat that I am not an economist, I think that there are some known issues about productivity and demographics, which Scotland to some extent shares with other western economies. However, the health issues in Scotland are, I think, more acute. Also, there are big technological disruptions going on at the moment with the rise of AI, and I do not think that we understand fully what that will do. It could be a great benefit, or it could be a disbenefit. Obviously, there is also climate change, which everyone is having to grapple with. I do not know whether these are all necessarily downsides, but they are all big issues that need to be addressed.

**Michael Marra:** How do you foresee the impact of those challenges flowing through the fiscal framework?

**Dr Ryan:** Through the fiscal framework?

**Michael Marra:** Yes.

**Dr Ryan:** As you know, the big issue with the fiscal framework is that everything is calculated for Scotland with reference to the UK, so we need to think about how Scotland chooses to respond relative to how the UK chooses to respond to some of these things. The UK might make certain tax-and-spend choices; for instance, we heard recently about an increase in defence spending, but we do not know yet whether the UK Government will fund that through, say, tax increases or cuts to other spending. Because we do not know that, we do not know how it will flow through the fiscal framework. It is the same with the response to climate change and tax-and-

spend choices that the UK Government makes in that respect.

One of the challenges for the Scottish Government and the Scottish budget is that you want to be free to make choices and to use the powers that have been devolved and which are there, but you also have to be mindful of the impact of the choices made in Scotland relative to the choices that are made at the UK level. The Scottish Fiscal Commission can help a bit by unpacking some of that.

**Michael Marra:** Thank you.

**John Mason:** I will follow on from that point. You and your colleagues will produce forecasts for several years ahead, but something might happen in the current year that just turns that upside down. Will you not find that frustrating?

**Dr Ryan:** Yes, but that is the way of Government. The situation is exacerbated by the circumstances of the fiscal framework, but all Governments, including those of independent countries, can make their forecasts and then be hit with something that they were not expecting, such as Covid or an economic shock. The need to respond to whatever is happening and to new information that comes in exists in all systems, but doing that is perhaps just a little more complicated in this system.

**John Mason:** Soon, we will have the UK budget, which will be followed by the Scottish budget. There will be a lot of time pressure in December and January. Are you relaxed about that?

**Dr Ryan:** Perhaps not relaxed, but I will absolutely be ready to help in any way, if I am appointed.

**John Mason:** The convener asked you one of the things that I was going to ask you: the need for financial literacy throughout society. That includes the financial literacy of MSPs, but I will not necessarily ask you to deal with that aspect. *[Interruption.]* Well, that is the MSPs who are not on this committee, of course.

I noted the point that you made in your submission about communicating with very different audiences. To go a little bit further with that, as a society, should we be doing more in schools to get young people thinking about those things? How should we move forward?

**Dr Ryan:** I think that it is good to get more people thinking about finances at all levels and I agree that it would be sensible to start with young people. Again, it is not straightforward. When I was involved in Revenue Scotland, we did some work on tax and tax policy and on having conversations through Young Scot with young

people about tax. Those pieces of work were interesting, but we needed to do more.

Should more be done in school? Many years ago, I had policy responsibility for the school curriculum, so I know that the answer to many things is seen to be to put more into the school curriculum. However, a finite amount of time is available. Of course I would like to see more education on financial literacy, but I appreciate that, when it comes to decisions on the school curriculum, it is quite tricky to fit everything in.

**John Mason:** Who should be taking responsibility for that agenda? Should it be the Government, the Parliament or the Scottish Fiscal Commission, or should it be a mixture of all of us?

**Dr Ryan:** I would suggest that we all need to play a part in taking responsibility for that. The commission has an important role in being an independent commentator that provides input to help different groups in society—all of them, ideally—to understand and navigate some of those difficult things. However, I do not think that the commission could possibly do that on its own, and it is important that the Government and Parliament communicates well.

**John Mason:** You used the word “independent”. You used to be very close to Government, if not part of it.

**Dr Ryan:** I was, yes.

**John Mason:** Are you comfortable now being on a different side of the fence? You are independent now.

**Dr Ryan:** I have been independent for the past six years. I left the civil service in 2019 and I have since done work in Scotland and internationally. I have to write reports and present my independent view. I have become much more comfortable with that.

**John Mason:** Do you consider yourself a poacher or a gamekeeper now? *[Laughter.]*

**Ross Greer:** Good afternoon. John Mason's last question was one that I was going to ask. Part of our responsibility here is making sure that we are guarding against groupthink. You mentioned the importance of the SFC being independent. That sometimes requires being pretty robust with the Government. You can take it either way when considering appointing someone who has extensive experience from within Government—you might consider that there is a danger of groupthink if you appoint them, or you might consider that they know where all the bodies are buried and they have all those years of experiencing frustration inside the system. If we assume that it is the latter, do you have any examples of processes that the Government undertakes, particularly in relation to the budget

and its fiscal forecasting, about which, after leaving Government, you thought, “My God, why did we do it that way?”, or of processes that you are now excited to have the opportunity to put pressure on the Government to take a different approach on?

**Dr Ryan:** I was involved in the Government's first medium-term financial strategy, and, indeed, in the second one. I know that that has continued to evolve since I left. You have been discussing some of that recently. A lot more that could be done to set out more clearly what the direction of travel could be, what the choices are and what the Government is intending to do. I would love to see that built on and expanded.

Are there things that I would want the Government to stop doing? It is not really a case of it stopping doing things. We were talking about transparency earlier. Transparency is complicated, because it is not just about putting out lots of information. The Government does, in fact, publish a lot of information, but more could be done on publishing information in an accessible form, and I would be delighted to work with the Government to improve the accessibility of the financial information it publishes.

**Ross Greer:** On the MTFs, as an example, you were talking about laying out options. By that do you mean that the Government should set out clearly what its intentions are or that it should provide scenario planning, setting out the options that would be available over the long term to close the fiscal gap, either through spending cuts or tax rises?

There is merit to both approaches. It would be valuable for the Parliament and for the public to know what the current Government's intentions are, but, particularly in terms of the public economic literacy point that the convener mentioned, it is also important to understand what levers are available to Government, regardless of which lever any Government at any given time pulls on.

**Dr Ryan:** The medium-term financial strategy document will never be the full answer—things like spending reviews and the budgets that are presented are the full answer—but it should show a direction of travel. There is value in showing scenarios or highlighting different possible choices, but, equally, that is something that the commission can do. There is something for the commission to do, working with this committee and with the Government, to try to ensure that the overall picture is presented and people understand what choices are possible so that they can then put the final choices that are made into context. That does not all have to be done by one or the other.

**Michelle Thomson:** Thank you for joining us. I read your CV with interest as well, and there is no denying the depth of your hinterland. Following on from Ross Greer's question, to what extent do you regard your depth of knowledge, which you have built up over many years, as an opportunity and to what extent do you regard it as a risk? You are steeped in a prevailing culture of thinking, particularly linking back to the Treasury, whose tentacles reach everywhere.

**Dr Ryan:** That is a very good question. I have had some time to be outside of Government and to see things from an external perspective. I have been lucky enough to work overseas with some World Bank teams on aspects of public procurement and so on, and to see how things work in other countries. I would not try to suggest that the way that the Treasury does things is the only way or the right way. I understand why many things are the way they are, but that is not the same thing as thinking that they ought to be that way.

12:30

It would have been a big risk to go from Government straight into a role like this, but having had some time to be independent and think about it, I hope that I would bring a much more balanced view. Of course, were I were lucky enough to be appointed, I would not be the only member—I would be working with two very experienced economists and with another member of the commission.

One of the things that I understand to be a strength of the Scottish Fiscal Commission is the debate, the challenge and the testing that goes on within it. Therefore, I do not think that I would be a huge risk, because there would be other points of view to balance mine, and my own views are more balanced than they were.

**Michelle Thomson:** I remember bringing up the need for women commissioners with Graeme Roy, probably in 2021. Many people are blindsided because they forget about systemic issues flowing through economics that affect women, and we tend not to gather supporting data that allow for various hypotheses. In my opinion, Professor Roy has done a very good job thus far in starting to broaden out the work of the Fiscal Commission. What do you think that you can bring to the table in that regard, because it still seems like there is quite a gap because we do not always ask the question, “What does the data tell us about women?” If we do not have that data, we need to ask what we can do about that, because we need to understand what the systemic issues are before we try to change them.

**Dr Ryan:** I am sure that you will be well aware of the wonderful book by Caroline Criado-Perez, “Invisible Women: Exposing Data Bias in a World Designed for Men”.

**Michelle Thomson:** Yes.

**Dr Ryan:** I was very lucky to hear her speak about it on one occasion. I absolutely agree with you. We are quite bad about collecting data, not just in economics and finance but in many areas, to enable us to understand the impact of measures on women, and, indeed, the impact on other groups in society. It is a very important question to ask, and something that I would be very happy to explore with the commission if I were appointed. I do not know what I can do at this point, but it is definitely something that I would be interested in.

**Michelle Thomson:** Should you be appointed, you can look forward to being asked about that by me in future sessions.

**Dr Ryan:** That is fine.

**The Convener:** Thank you very much. That has concluded questions from the committee. Are there any points you wish to make? Is there anything that you feel we should know that we do not already?

**Dr Ryan:** Only to say that it is such an honour to be here, and I would be delighted to be appointed if the committee considers that to be acceptable.

**The Convener:** Thank you very much for that—and for your attendance today, which we really appreciate.

We will have a short break to allow for a changeover of witnesses.

12:33

*Meeting suspended.*

12:34

*On resuming—*

**The Convener:** I welcome Justine Riccomini, who has also been nominated as commissioner to the Scottish Fiscal Commission. As before, we will move straight to questions.

You really will be going in at the deep end here. Just a few days ago, we found out that the UK budget will be on 26 November, which is probably later than was envisaged. Many of us thought that it might have been a couple of weeks earlier. What does that challenge mean to you? How do you feel that you and your colleagues will respond to it, if you are appointed?

**Justine Riccomini:** Good afternoon, and thank you for inviting me to this hearing.

The budget date shocked me, and I have been in tax for 37 years now. It was a pretty shocking late date. On my potential role at the commission, we will basically just have to cancel Christmas, because there will be a lot of work to do over that period. However, that is okay—it is only one day.

**The Convener:** How might such a late date for a budget impact on scrutiny, not just by this committee but more widely?

**Justine Riccomini:** I have always advocated to the UK Government that it should try to produce budgets in the earlier part of the autumn, if it can, because of the impact on the devolved nations and their ability to prepare and debate the necessary issues before the end of the tax year. That is especially the case with income tax, for example, as the rate resolution needs to be passed before 6 April.

A late budget brings its own stresses and issues. You probably have to react more quickly, analyse things with alacrity and make sure that you are responding in a responsible and stable way.

**The Convener:** I understand that the devolved Administrations were not advised of the change of date, let alone consulted. You have excellent relationships with other devolved Administrations, such as the Welsh Government. What advantages might that provide to the Scottish Fiscal Commission in the work that you will do if you are appointed?

**Justine Riccomini:** The relationships that I have had in my tax policy role over the past decade have been fantastic. I have had an opportunity to collaborate with and be a trusted adviser to Scottish Government and Welsh Government officials, working with my colleagues and counterparts around the UK in organisations such as the Chartered Institute of Taxation or the Low Incomes Tax Reforms Group. I have made lots of good and stable connections that I can probably call on in future, because I have been to the meetings and I know the people.

**The Convener:** In the past year or two, the Scottish Fiscal Commission has expanded some of its area of work and has produced important documents such as those on long-term fiscal sustainability and climate change. Are there any new directions that you feel that you could take the Scottish Fiscal Commission in, to do something in another area of work or with a new focus?

**Justine Riccomini:** At the moment, I do not know the inner workings of the Fiscal Commission, because I do not work there. There would be an opportunity for us all to collaborate and bring new ideas to the table.

You mentioned climate change and sustainability. In those areas, there is a real opportunity for Scotland to become a world leader in renewables and things like that. Scotland has already made a huge mark on that. There is potential to work out how that can productively raise money and increase the benefits to the Scottish economy.

**The Convener:** Thank you. Colleagues are keen to come in.

**Michelle Thomson:** Hello, and thank you for joining us. I noticed on your CV that you are a non-executive board member of Paragon Music Ltd.

**Justine Riccomini:** I was, yes.

**Michelle Thomson:** That is slightly different from all your other experiences. What was your interest in that and why, given that it is slightly different?

**Justine Riccomini:** I am a trained classical singer, so I can sing opera. I will not do it right now, you will be glad to hear.

I became involved with Paragon because I was singing with a quintet of musicians and one of them—the bassist—was the chief executive officer of Paragon Music, so he invited me to be on the board. Because of my knowledge in areas of tax, HR and employment law, I led on that for that organisation while I was a non-exec there. It was really rewarding.

**Michelle Thomson:** Do you think that that alternative experience—I suppose that one might refer to it as cognitive diversity—is something that you will be able to bring to the perhaps slightly dry subject matter of the Scottish Fiscal Commission?

**The Convener:** Dry? I find it thrilling.

**Michelle Thomson:** We find it exciting, but hey.

**Justine Riccomini:** I keep telling people that tax rules the world. I am not sure that they believe me, but it does.

My experience of working with Paragon was mind-changing and it broadened my horizons as an individual. None of my family members or friends has any disabilities or learning difficulties or any of those things, so it was wonderful for me to work with the people involved in Paragon. I thoroughly enjoyed it. All the experiences that I have had throughout my career to date have taken me in many different directions, and I can now call on those experiences and use them wisely and effectively at the Fiscal Commission.

**Michelle Thomson:** In your application, you make the statement:

“I have called out bad or dishonest practices.”

Obviously, I do not expect you to cite individual examples, but I am interested that you deliberately chose to do that. I do not want to put words in your mouth, but I am interested in your view of ethics and why you put that in your application. It would be useful to understand a bit more about why you felt that that was sufficiently important.

**Justine Riccomini:** As far as I am concerned—and I hope that other people also think this—I have a very strong moral compass. I have always had that; I imbibed it from my parents. I have always upheld very strong ethical values. I appreciate fairness and diversity and people being treated according to their needs and abilities. That is why I found my roles in HR and employment law consulting work so rewarding—I felt that I was able to bring something else to the party.

**Michael Marra:** You were privy to the questions to the previous candidate, which were similar, but I will perhaps go on a slightly different tangent but in the same area. What do you believe to be the domestic performance issues rather than the global trends that might impact the performance of the Scottish economy over the medium term?

**Justine Riccomini:** When I spoke to the interview panel, I put forward some thoughts on some of the main issues that might affect Scotland in the medium term. To build on what Eleanor Ryan said, I think that one of the issues—not just in Scotland but in other countries, although in Scotland it is particularly prevalent—is that of population decline. There is also the overall health of the Scottish populace. It was very interesting to catch the end of the previous evidence session. The 50-year forecast that the Scottish Fiscal Commission produced in 2023 set out some areas of concern and things to think about in that area.

That is a very important issue for me because, as a tax person, you need to know where your next tax base is coming from and how that tax base will fare. If people are falling ill at an early age and dropping out of the workforce, they are no longer taxpayers, so obviously the tax base is shrinking. In terms of tax and spend, that is an absolutely crucial point.

As briefly as possible, another point is about the comparative size of the public sector in Scotland, how that compares to the relative health of the Scottish tax base and how that all fits with spending priorities for the Scottish Government over the next few years. That trajectory is definitely worth looking at.

**Michael Marra:** Thank you.

12:45

**John Mason:** Until now, the SFC has focused on having economists as commissioners. Do you



see it as good or bad that we are widening it out a bit?

**Justine Riccomini:** I think that it is excellent.

**The Convener:** Well, she is not going to say that it is bad—come on, John.

**John Mason:** I am asking the questions.

How do you think that it strengthens the SFC?

**Justine Riccomini:** I will be honest—I think that it is a really bold move. When you think of the Scottish Fiscal Commission and the four professors, you think that it is an economist's world, it is about economics and so on. I think that Professor Roy has shown foresight in deciding to take forward the OECD recommendation, which is a step in the right direction. I really hope that, if I am appointed as a commissioner, I can bring something different to the table and think new thoughts, have new ideas and bring new perspectives.

In the interview for this role, we discussed the fact that, if you have four economists in a room, they are likely to talk about economic things rather than other influences—that is not necessarily groupthink, because the Scottish Fiscal Commission is not a bad or toxic organisation. I recognise that they are all absolutely brilliant and amazing people, but sometimes discussions can go down a path and stay there rather than somebody saying, “Hang on—what about this?” or, “What about that?” I think that that might be my role.

**John Mason:** That sounds good.

We talked earlier about communicating with the public and experts, which is quite a big issue. The point has been made before, but the Fiscal Commission needs to relate to a very wide range of people. Do you have any thoughts on communication? I think that we feel that there have been improvements over the years, but it is still quite a challenge to get the public generally engaged in this space.

**Justine Riccomini:** Yes—it is definitely difficult. I would classify myself as a tax geek, but people do not really want to talk about tax in Britain until or unless they are forced to do so or a brown envelope arrives on the doorstep and they have to face reality.

**The Convener:** Amen.

**Justine Riccomini:** Tax is never an easy subject to try to engage people in. As a tax practitioner, I know that trying to talk to a client who does not want to talk about taxes is pretty hard going. However, I think that it is vital. I started my new role at Tolley on 1 July but, when I was at the Institute of Chartered Accountants of Scotland, one thing that I constantly advocated for was to

bring more clarity and transparency. It is not necessarily about simplicity; it is about explaining things to people about tax and finances and the economy in a language that they can understand.

I have to say that I applaud the Fiscal Commission on its reports, because the infographics are excellent and the language is fairly clear and plain. The man on the Clapham omnibus can probably get a fair grasp of what the commission is saying, as long as nobody asks about it afterwards and they do not have to explain it to somebody. There is a need for that in the whole of the UK. It would be a privilege to be able to try to expand people's education in that area, without sounding condescending of course.

**John Mason:** It is a big challenge, and it is encouraging that you see that as well.

You used the word “simplicity”, and I think that you worked for the Office of Tax Simplification at one point.

**Justine Riccomini:** I did.

**John Mason:** Was that successful?

**Justine Riccomini:** It is not there any more, so that is a moot point. We did what we were commissioned to do by different chancellors. I worked for two different chancellors on two different projects.

**The Convener:** So you were there a whole month then, yes?

**Justine Riccomini:** Thank goodness, for me, it was not the shortest-lived one.

That was a great thing to do. Working with the guys at the Treasury, the Department for Business and Trade and HMRC and everybody else at that policy level was supremely interesting. I felt that the research that we did was extremely independent and unbiased, and that it presented the facts that ministers needed to know about. The deadline was always budget day, so that the minister could announce something in his speech. It is a shame that the office is not still there doing its job. I have been assured that its work is being imbibed into everything that is done now.

**John Mason:** I am interested in the area, but I accept that it is not the SFC's main thing at the moment. Thank you.

**Craig Hoy:** Good afternoon. In your statement, you said that you

“have no time for hubris and complacency.”

**Justine Riccomini:** That is right.

**Craig Hoy:** I think that both of those lead to stagnation, poor decision making and ultimately a downfall. I suspect that interfacing with politicians in the next 12 months might be quite interesting in

that respect. Particularly in relation to public finances and long-term projections, what impact will hubris and complacency have? How can the Fiscal Commission work with us to make sure that the Government displays neither?

**Justine Riccomini:** As part of its corporate plan, the role of the commission is to make ministers as aware as they can be, given the information that they have to hand, of the risks that are presented, and not just financial risks but reputational risks—there are a lot of different kinds of risk. It is important to make sure that ministers are as aware as they possibly can be, so that they can make sound and rational decisions with the information that they have. They cannot do any more than that.

**Craig Hoy:** Can you think of an example of where you personally drew a minister's or a Government's attention to risks in clear and vivid terms? How responsive do they tend to be to that? Generally, they are smart people who are advised by smart people and sometimes they might be prepared to take those risks.

**Justine Riccomini:** I will try to keep politics out of it, but I have had quite a lot of conversations over the years with ministers in Scotland and the UK, including in the House of Lords and so on, that involved giving them not necessarily the best news about what some policies had resulted in and bringing to their attention things such as behavioural impacts, which I think the convener mentioned earlier. You just try to talk to them in realistic terms without any need for argument or aggression or bringing politics into it. The facts should speak for themselves.

**Craig Hoy:** You are not in post yet, so perhaps you can be a little more open. To go back to John Mason's point about simplicity in the tax system, I am aware that the Scottish income tax system has more rates than the rest of the UK, including a starter rate that goes from £12,571 to £15,397, which is just 1p in the pound less than the next rate. Various organisations, including ICAS, have said that complexity is not necessarily helpful in the tax system. Is that the sort of complexity that you would advocate that Scottish ministers look at again, given the relatively small difference that it makes to the tax take and to taxpayers?

**Justine Riccomini:** Tax in itself is a fairly political subject and tax rates are extremely political and are not something that I have ever commented on before. In the same way, my counterpart policy people in other organisations did not comment on that, because it is just too political. However, you can paint a picture of what policy decisions might lead to and then, maybe a year or two down the line, look at the facts and figures and the outturn reports and see whether

you can identify behavioural responses or complications.

Tax is complicated, and it is particularly complicated in the UK. As I said to Eleanor Ryan when we were waiting to come in, when I started in tax, the tax books were quite big and now they are much bigger, so we have not done anything to try to reduce the complication. However, there is a way of making a difference. When I have done webinars, seminars and so on for members, clients and other people—I have even spoken in universities and schools—I have tried to make a complex subject sound reasonably simple so that people can understand it at their level.

To me, it does not matter if you have six rates and bands or three, or even 10, as they have in France. It is about understanding what happens with those rates and bands and what people pay. That is what people really want to know. If you can make that fairly understandable, people will take it on board. However, the system here creates a little bit more admin.

**The Convener:** Ross Greer is next.

**Ross Greer:** I am good, convener. My questions were about the Office of Tax Simplification and the principles of simple systems, which have been well covered.

**The Convener:** Okay. Thank you, Ross, and thank you, Ms Riccomini. Do you have any further points that you want to make to the committee before we wind up?

**Justine Riccomini:** No. I will just kind of repeat what Eleanor Ryan said. I am absolutely delighted to be here. It is a great honour to even have been recommended for this role. If I am allowed to carry it out, I will do it to the absolute best of my ability and dedicate myself to it.

**The Convener:** Thank you very much for that. We will decide in private session later this afternoon whether to recommend that the Parliament agree to the appointments.

That concludes the public part of today's meeting. We now move into private session.

12:58

*Meeting continued in private until 13:09.*

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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