Official Report
Aithisg Oifigeil

Public Service Reform Committee

Comataidh Ath-leasachadh nan Seirbheisean Poblach

Thursday 10 September 2026

Session 7

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PUBLIC SERVICE REFORM COMMITTEE
4th Meeting 2026, Session 7

CONVENER

*Bob Doris (Glasgow Kelvin and Maryhill) (SNP)

DEPUTY CONVENER

*Michelle Campbell (Renfrewshire North and Cardonald) (SNP)

COMMITTEE MEMBERS

*Max Bannerman (Highlands and Islands) (Reform)
*Joe Fagan (South Scotland) (Lab)
*Murdo Fraser (Mid Scotland and Fife) (Con)
*Alex Kerr (Hamilton, Larkhall and Stonehouse) (SNP)
*Lorna Slater (Edinburgh Central) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Simon Mair (Scottish Government)
Ivan McKee (Cabinet Secretary for Public Service Reform)

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Public Service Reform Committee

Thursday 10 September 2026

[The Convener opened the meeting at 09:31]

Decision on Taking Business in Private

The Convener (Bob Doris): Good morning, everyone, and welcome to the fourth meeting in 2026 of the Public Service Reform Committee.

Agenda item 1 is a decision on taking business in private. Does the committee agree to take item 3 in private?

Members *indicated agreement*.

Delivering Public Service Reform

09:31

The Convener: Agenda item 2 is an evidence-taking session on delivering public service reform. I welcome to the meeting Ivan McKee, Cabinet Secretary for Public Service Reform, who is accompanied today by three Scottish Government officials: Gabrielle Cahen, team leader, public service reform strategy and evidence; Ruth Meyer, head, public service reform strategy and governance unit; and Simon Mair, deputy director, place-based service change and reform. I thank you all for supporting our scrutiny this morning.

Cabinet secretary, we look forward to working constructively with you on public service reform and to being a critical friend to you. We will challenge, where appropriate, but constructiveness will be our aim as a committee as we move forward.

I understand that you have some opening remarks to make to the committee.

The Cabinet Secretary for Public Service Reform (Ivan McKee): Thank you very much, convener, and good morning to the committee. It is great to be here.

Just to build on the point that you have made, convener, I absolutely look forward to constructive engagement with the committee. The Government recognises that this is a very big programme and that we do not have a monopoly on good ideas, so we are hugely seized of the need to engage with partners and to take on board constructive criticism and suggestions on how we move forward in partnership. I think that the committee has an absolutely critical role to play in that respect.

Public service reform has been expressed by the First Minister as this Government's defining ambition, and you will have seen its prominence in the programme for government. It is all about delivering excellent public services that the people of Scotland need—and deserve—in a fiscally sustainable way.

The public service reform strategy, which we launched last June, provides the basis for our work; it has 18 workstreams and covers all aspects of this hugely interrelated programme of work. Just this week, we provided the committee with our six-monthly update on the actions contained within it, and I look forward to engaging further with the committee on the detail in the update.

Of course, all of this work is built on the Christie principles of prevention, integration, empowerment and efficiency. They run right through all of the work that we are taking forward; as we have recognised in the strategy, we have

made some progress on those principles in the intervening years, but far from the scale and pace that we need in order to deliver them. We absolutely need to do much more and do it faster, and that is what has driven the First Minister's seizing of this agenda and its centrality in the programme for government.

Clearly, there is a danger that we focus exclusively on the structural aspects of this work. They do feature prominently in the programme for government, but it is really important to recognise that they form only one of the 18 workstreams, and that they will not succeed without everything else succeeding, too.

As we articulated in the strategy, we need to understand the barriers that have prevented the Christie commission's recommendations being implemented at scale and pace in the intervening years. As I said, if this was easy, it would have been done before. Those barriers are difficult to overcome, but we have identified what we believe they are—for example, there are issues around leadership and culture, such as siloed management, siloed budgets and so on, that prevent us from taking forward that broad suite of activities—and we have identified how we will go about tackling them.

We talk about rewiring the state. It is important to recognise that that applies to how we rewire the structural landscape, but it is also about how we rewire the way money and data flow through the system. Frankly, we need to rewire people's approach to all of that, because culture and leadership absolutely have to change if we are to deliver what we need to deliver. We can explore some of that in more detail in this evidence session.

As we move into an acceleration of the delivery phase in what is a very big transformation programme, we are moving through phases of denial, disorientation and resistance in some quarters, as you would expect from vested interests. However, constructive engagement is starting to emerge quite strongly, which is really helpful. On that final element, I look forward to engagement with a wide range of partners across the landscape and, in particular, with this committee, which has a huge amount to offer to the agenda.

The Convener: Thank you, cabinet secretary. I also thank you for the detailed 45-page public service reform strategy update document that we received in the past few days. It is safe to say that it read like a corporate governance framework to monitor reform in the workstreams, rather than a document that this committee, public services themselves or the wider public would use to find out what any of it means in practice. I hope that you will take on board that important point. It is not the job of this committee to scrutinise the details of that document—doing so would involve us in doublespeak for the next five years. What we want to look at is public service reform on the ground and what that means in practice.

In that light, I note that a 0.5 per cent workforce reduction is estimated each year from this year for the next three years. How do we arrive at 0.5 per cent?

Ivan McKee: That is a good question. That ties in with the fiscal challenges that we face, but it also ties in with the work that we have done to understand where the workforce spread is. We have been clear that there is a need to protect and, indeed, in many cases grow the number of individuals who are working in front-line or public-facing services, because, by their nature—you heard comments from the Institute for Public Policy Research on this last week—those person-to-person services depend on people spending hours engaging with people. That is important. Therefore, the reduction is based on the non-front-line workforce. Again, we can have a big discussion about various aspects of that, but the target represents a reduction in that workforce of approximately 4 per cent a year over a five-year period. That is the calculation that sits beneath that—it comes at the issue from a number of different directions.

We thought that it was important to set out a number, because it gives us a target to move towards and the ability to engage with different bits of the public sector in terms of what the expectation is. If we did not do that, we would have to have said that this is the direction of travel, but that there is no target. In that environment, we would have found it more difficult to make progress.

The Convener: You can correct me if I am wrong, but I think that you are saying that the target is based on non-front-line staff who are involved in non-front-line services, and what you think is the art of the possible in general terms, rather than any specific sector. Is that the case?

Ivan McKee: That is correct.

The Convener: Would this committee be able to see that modelling work?

Ivan McKee: We will have a look and see what we have on that to see what we can share with you.

The Convener: I think that that would be helpful.

Percentage terms are important, but these are real jobs that exist currently. What are the whole-time equivalent numbers or workforce numbers in

raw terms for posts that will ultimately go or be reformed or restructured?

Ivan McKee: We have been clear that there is to be a reshaping of the public sector workforce. As I said, we anticipate that there should be more people working in many of the front-line areas. As technology moves, it will move at different paces in different aspects, and different opportunities will present themselves in different parts of the public sector. Therefore, I would not want to express that in raw numbers at this stage.

The Convener: Can you give me a range? For example, are there 20,000 posts out there now across the range of public services that, once we end the reform process, might not exist or might exist in a different form, with people being redeployed and roles being restructured or merged or whatever? Financial assumptions are being made, so there must be modelling to show what that means for head count. I hate the expression “head count”, because that is about people’s jobs, of course. Is 20,000 a reasonable estimate?

Ivan McKee: I cannot give a specific figure at this stage, for the reasons that I have given. We are working through the programmes in different parts of the landscape. You will have seen the proposals for mergers of some bodies, and there is a lot more of that to come—you will have seen other engagement work that we are taking forward.

Obviously, the process will not run in a straight line. There will be phases when more is happening rather than less, because of the execution of different parts of the structural reform agenda and other activities. However, it is important to recognise that this is being taken forward in the context of leaning on attrition as much as possible. As you rightly said, we are talking about people’s jobs, so we are making sure that the process is as supported as possible.

The Convener: I assume that the Government has a range in its modelling work. The Government cannot come to Parliament and say, “We don’t wish to put a number on it.” Actually, let me rephrase that: the Government can come to Parliament and say that it does not wish to do that because it does not want to make assumptions about the consultation on restructuring. However, that would involve numbers for specific sectors or areas. The Government must have modelling to show what the number looks like in terms of jobs, even if you are not apportioning that to individual sectors, be that local authorities, social care, the national health service or environmental agencies. There must be a range or a number. Is there a number that you can share with us?

Ivan McKee: Obviously, the 0.5 per cent figure has been shared, and we are working with partners, including—importantly—trade union colleagues in partnership as we take forward the agenda. In fairness to everybody who is involved in the process, it is important that we work through the appropriate channels, bearing in mind that people’s jobs are potentially affected. We need to work through the due process and ensure that there is genuine and extensive engagement with the representatives of the workforce as we take this forward.

The Convener: I want to ensure that, when we talk about 0.5 per cent, we know what base we are starting from, so that we can model that going forward. It is important that the committee has a base for each area. It would be good to have a base for the NHS, social care, local authorities, the third sector, environmental agencies and any bodies that emerge to be considered. If we do not have a base, we cannot monitor progress.

In your cover letter for the public service reform update that you have provided, you indicate that a workforce management framework document will be published. Will that have any of those numbers in it?

Ivan McKee: The best way to describe that is that it is a toolkit for leaders who are engaged in the transformation process, and others, to use to navigate their way through some of the challenges that might present. The document walks through each stage of the workforce management processes and lays out what best practice looks like as well as signposting to other guidance that exists. The intention is that leaders in public sector organisations or people who are engaged as a partner in the process can understand what best practice looks like, how they go about various stages of the transformation programme and how they work with others to ensure that that is delivered most effectively.

The Convener: I am going to come back in again—

Ivan McKee: I am sorry but, to answer your question, no, that document does not have numbers.

The Convener: I sound a little like a broken record, but when will those numbers start to appear? We have been clear with all the witnesses that we have spoken to that we need a baseline to work from. Without clarity on that baseline or without a baseline to work from, we cannot monitor and map progress.

I have suggested sectors to you and to others. Is it reasonable for the committee, at some point, to get some baseline numbers around the workforce and, as you work this out in consultation with all the relevant organisations, unions, management and everyone else, at least range for

what head count attrition reduction looks like? I will come back to what I mean by that in a second.

I get that, for example, in the NHS, 24/7 thrombectomy will involve employing more staff, not less, because that is a new, positive commitment. However, there is a group of staff in the NHS whose jobs will change, alter or perhaps not exist anymore. That is the baseline that we have to monitor; it is the same for social care, local government and the environmental agencies. Can we have some confidence that we will get that baseline and be able to monitor it going forward?

09:45

Ivan McKee: The baseline has already been published, and we publish public sector head count data quarterly. That data is all available: it is available for different parts of the public sector, and it is now also available for individual public bodies. We have started to publish that as well. That baseline data is there for the 0.5 per cent reduction that we already talked about.

The Convener: If I look at the March 2026 figures for the NHS, I see that there are 29,826 whole-time equivalent staff in the administrative classification in the NHS. I should point out that they all do vital jobs. Restructuring might happen, and there might be fewer of them going forward as a result of health board measures, but I do not diminish the importance of the jobs that they currently do.

So, is that the baseline that we are working from for admin workers in the NHS—29,826?

Ivan McKee: That is the baseline in the published data.

The Convener: Okay, and that figure went up by 0.6 per cent in the past year. How much do you expect it to fall by in the next three years?

Ivan McKee: I have already talked about the percentage reductions in head count that we seek to achieve.

The Convener: Will that be a uniform percentage reduction across the board?

Ivan McKee: There might be some variation, and there will certainly be variation in when it happens, because things need to change for the reduction to be delivered, be that through digitisation, the removal of duplication, consolidation or mergers. Clearly, the health service is on the verge of a significant transformation programme, as is most of the public sector when it comes to the work that we have indicated in the PFG.

Yes, there will be reductions, but they will not necessarily be delivered linearly for the reasons that I outlined.

The Convener: Has modelling work been done in relation to those reductions in the NHS?

Ivan McKee: We are working through that at the moment. We have taken the step of indicating the move from 14 to two strategic boards on the mainland, and health colleagues are now leading detailed work on that in order to model what the specifics of that will mean. Work is ongoing on what the delivery of that will look like.

The Convener: Can the headline numbers in that work be shared with the committee?

Ivan McKee: The headline is that there will be two strategic boards, but if you are asking about the workforce changes, Ms Constance is leading on that. I will engage with her and see what can be shared with the committee and when.

The Convener: That is very welcome.

I ask, therefore, that you have that conversation not only with Ms Constance but with all the other cabinet secretaries who have reform agendas in their remit, so that the committee does not necessarily go to each individual cabinet secretary and minister to ask for updates, but has a single point of contact—you, cabinet secretary—who stresses the importance of our seeing what the modelling looks like and what the initial iterations are.

Ivan McKee: Indeed.

The Convener: I use the word “iterations” because things will change as you consult trade unions, bodies and everyone else, but we want to be clear about the direction of travel and the progress that is being made, and data is incredibly important in relation to that.

What is actually more important than any of the numbers that I have been trying to get from you is how we measure outcomes and progress.

A lot is made of the national performance framework, which I am very supportive of. I will stick with the NHS for the time being and note that the NPF does not monitor things such as waiting times, the number of operations that take place, what is happening with regard to social care, how quickly care packages are put in place or how many people can live independently in the community rather than presenting to the acute sector and staying there for a prolonged period of time. How can and how will we measure outcomes? Sticking with the NHS and social care, outcomes can involve things such as someone receiving more timely care, treatment and support so that they have a better quality experience, or someone not having to go to a service because of

the use of preventative spend. Of course, it can also involve cash savings that can be reinvested elsewhere. This committee will want to track all of that in great detail over the next five years. How do we get that data in a meaningful and consistent fashion from you and the Government more generally?

Ivan McKee: First, I would like to talk about the centrality of the national performance framework. You hit the nail on the head by identifying that the NPF stops short of giving detail of the linkages to operational metrics that people would experience on a day-to-day basis. I do not want to say too much on this, because we still have to go through a Cabinet process, but I would say that we are very conscious that that link is important. The refresh framework will address that particular challenge, so that there is linkage at the top level between outcomes and indicators, and linkage to the more substantive set of metrics that concern the monitoring of operational performance.

I am sure that I will be back at some point to talk about the NPF. At that stage we can go through those linkages. However, rest assured that the point that you are making is well understood, and I am hopeful that, when you see where we are going with the NPF, that will set your mind at rest with regard to your ability to access those metrics.

The Convener: Thanks for that. However, I still have concerns, based on my previous understanding of the NPF.

When public bodies design and develop policies, they must ensure that they "pay due regard to"—I think that that is the term that is used in legislation—their obligations and duties under the NPF. My understanding is that they do not have a statutory duty to comply with it, so things are monitored more generally. However, with regard to public service reform, this committee will want to consider data on the ground, rather than more general outcomes from the NPF. Can I get a reassurance that there will be a dashboard of indicators that will be meaningful to members of the public and this committee when we seek to monitor the situation?

Ivan McKee: Yes.

The Convener: I think that I will leave it at that, cabinet secretary. I will bring in Joe Fagan.

Joe Fagan (South Scotland) (Lab): At the outset, I declare an interest as a serving councillor, in case we veer into local government territory.

The headline figure of a 0.5 per cent reduction in the public sector workforce is in the public domain, but I want to pick you up on something you said in your introductory remarks. Am I right in thinking that you said that, for non-front-line roles, there would be a 4 per cent reduction?

Ivan McKee: Yes.

Joe Fagan: Has that figure been in the public domain before now?

Ivan McKee: I believe so, but I do not know.

Joe Fagan: Okay. What do you consider to be non-front-line roles?

Ivan McKee: There are obviously some grey areas around that. We have to work through that, because there could be roles where interpretation might be required. However, effectively, those are roles that would not traditionally be understood as involving people dealing directly with members of the public.

There is an important point to be made. When we have the conversation about head count reduction in the public sector, people immediately identify large cohorts of public sector workers within various parts of the sector with a view to saying that we actually need more of those workers, not fewer. We therefore felt that it was important to understand and differentiate between the types of roles, so that we could look at head count reduction in a way that allowed us to take forward measures that would protect specific cohorts. For example, the Government has been clear about keeping teacher numbers at a high level, and we continue to seek to recruit across many of the medical professions and elsewhere.

However, if we are serious about reshaping the workforce, we need to understand which types of roles offer more scope for reductions. As the convener said, that does not mean that those roles are not important. What it means is that a variety of measures can be taken, such as the use of technology, the removal of duplication, and mergers of organisations, to reduce the number of people who perform those roles to support the services that we need to provide.

Joe Fagan: You can understand why trade unions and the workforce might be nervous. The distinction between front-line roles and non-front-line roles is not always clear, and sometimes what might appear to be a non-front-line role is essential to service delivery. How are you working with the unions on that?

Ivan McKee: Those roles are all essential to service delivery, but, for the reasons that I have mentioned, some of them offer more scope for the restructuring to have an impact. Some roles can be more easily digitised than others, and some—I will give the example of administrative support in the health service—will need to be performed only twice rather than 14 times.

Joe Fagan: I am glad that I declared my interests earlier. Does the 0.5 per cent reduction target apply to local government?

Ivan McKee: We have had separate engagement with local government on that, because we recognise that the local government workforce has reduced over a number of years. It is probably the only part of the public sector in which that has happened, with the exception of the core civil service, the size of which has also reduced consistently in the past three or four years.

We recognise that local government works with a separate democratic mandate, so we have engaged with local government on how we can work together to take forward the transformation programme.

Joe Fagan: Are you expecting local government to make a 0.5 per cent reduction in its workforce or a 4 per cent reduction in its non-front-line workforce?

Ivan McKee: As I said, we have engaged separately with local government, outside those targets.

Joe Fagan: So local government is not included in the targets.

Ivan McKee: Correct.

Joe Fagan: Okay. Does that mean that local government is not included in any of the financial assumptions behind the targets?

Ivan McKee: The five-year Scottish spending review lays out the spend profile for the different areas of the public service. That is the overarching guidance with regard to where we think that the fiscal numbers will move. However, on the savings specifically, as I said, we have deliberately configured the engagement with local government to be separate from the project that applies across the rest of the public sector.

Joe Fagan: Earlier, you mentioned natural attrition. Last week, we received some evidence from Stephen Boyd from the Institute for Public Policy Research Scotland, who said:

"we think that it"—

he was referring to the Government's approach—

"will involve natural attrition, which is an incredibly inefficient way of meeting the target."—[*Official Report, Public Service Reform Committee*, 3 September 2026; c 9.]

What are your thoughts are on that?

Ivan McKee: I heard what he said. I do not know what he meant by "inefficient", but I will try to unpick what I think he meant.

I mentioned the core civil service. Very helpfully, I have the head count numbers for the core civil service in front of me, so I do not need to try to remember them. The total number has come down from about 10,500 a few years ago. The attrition rate is 6 per cent. I have a chart with the actual data in it. Yes, over the past four years, the total core Scottish Government head count has come down from 10,500 to 9,300, which represents an overall reduction of about 11 per cent.

With an attrition rate of about 6 per cent, it will be possible to deliver a 4 per cent reduction, which is the target for those numbers, without having to take any other measures if we so choose. Clearly, that depends on who leaves the organisation, and it could mean that we will not necessarily have the right skill mix, but, with an attrition rate of 6 per cent, there is still scope to hire people to the tune of 2 per cent to backfill the necessary roles.

Natural attrition is a useful tool, but it is not the only one. As we have demonstrated in the core civil service over the past four years, it is a tool that can deliver meaningful results.

Joe Fagan: The size of the overall public sector workforce has increased, though, has it not?

Ivan McKee: Yes, it has. We started to roll out recruitment controls on the core civil service just over three years ago, which are showing the results to which I referred.

We have been engaging with other public bodies on the scope to roll out similar recruitment control processes across the wider public sector. Indeed, how best to do that forms one of the chapters in the workforce management governance framework that we talked about earlier.

10:00

Joe Fagan: We will probably talk later about demand for services and outcomes, but I suppose my concern is that one of the reasons for the increase in the overall workforce and the increase in spending brings us back to the core of the strategy, which is that both the demand and the need that have to be met have increased. Last week, Stephen Boyd also said that achieving this

"without affecting the quality of the service and the outcomes that they can deliver is extremely difficult, if not impossible."—[*Official Report, Public Service Reform Committee*, 3 September 2026; c 14.]

What is your reaction to that? Has there been an impact on the quality of public services so far? Are you able to achieve all this while sustaining or improving the quality of public services?

Ivan McKee: I absolutely think that we can do so. This absolutely gets to the core of it, and it was something that was at the core of Christie, too. Christie identified that up to 40 per cent of spend on public services was for meeting failure demand. Anybody who engages with or works in public services will point to countless examples of things not being done in the most efficient and effective way. That has two impacts—first, it drives

additional costs into the system, and, secondly, it results in poorer public services—so there is absolutely a win-win to be had here if we do this correctly.

Indeed, that is the whole point of this programme. Where there is, say, duplication, we need to ensure that data is joined up so that people do not have to input it into different systems for different people in different bits of the sector to process, and that different bits of the public sector are talking to each other so that we do not have different people doing the same job multiple times. That will provide a better service to the individuals who are receiving it, but it will also make the service more efficient and joined up.

Joe Fagan: Stephen Boyd also said that he is "massively sceptical" about the Government's capacity to deliver reductions of such a scale without affecting the quality of services. Indeed, the IPPR has said that, when the target was published, it

"was not accompanied by any analysis of its feasibility in the context of rising … demands. It is, instead, a target structured to meet budgetary imperatives."

I suppose that my concern, which I think comes back to the question that the convener asked, is that if we are to have confidence that we can address the rising demand for services while achieving these transformational outcomes, we need more information to sit alongside the figures that are being published. After all, the IPPR has also said that

"the workforce reduction target risks Scotland slipping into austerity."

That is what all this will boil down to, if we do not have convincing evidence that we are able to achieve better outcomes. Why has that information not been published alongside the target up till now, and how would you respond to the suggestion that we are actually sleepwalking back into austerity?

Ivan McKee: I do not accept that. Just at the macro level, the fact is that the Scottish Government's budget is largely fixed, and we have to provide public services within it. Therefore, the issue is how you spend that money and how it is deployed over the next five years to ensure that we are improving public services and making them more efficient while we carry out the work of the public service reform strategy as laid out in the Scottish spending review. I make no apologies for trying to make things better, more efficient, and more joined up, with more of a focus on prevention and on providing better public services as a consequence. That is what the programme is all about.

Joe Fagan: Yes, well, I do not—

The Convener: Can you be brief, please?

Joe Fagan: I do not think that the IPPR's concern was so much that you are intending to go back to austerity. However, it feels like, instead of our sleepwalking back into it, we are hurtling towards it, unless you can convince this committee and others that there is a plan for service improvement attached to these overall figures.

Ivan McKee: We can go through all the detail, if you want, but there are plenty of examples that show that the current configuration is not delivering, and that is why we need to make the changes that we need to make. That is what it is all about—I think that that is clear.

The Convener: Clearly we all want to see service improvement. The committee just wants to be able to monitor that as we move forward, along with the public service reform agenda.

We turn to a question from Alex Kerr.

Alex Kerr (Hamilton, Larkhall and Stonehouse) (SNP): Everybody in civic Scotland, and in most political parties, entirely understands the need for public service reform. A huge gauntlet has been laid down in this Parliament, and you can see as much from the 45-page update document to the public service reform strategy that you have sent us.

People are looking towards the Government, and you, to deliver that. Therefore, my first question for you is: what keeps you up at night? Is it the health boards, local government reform or rationalisation of the public sector? Alternatively, is it any of the other things in those 45 pages?

Ivan McKee: To be honest, the things that you have identified are all manageable. Up to now, the issue would have been whether we had the appetite to express the scale of the ambition. That hurdle has been cleared with the programme for government, which lays out a lot of stuff, with a lot more to come behind that. No part of the public sector is left untouched. To go back to why we did not deliver Christie, that is because we have not had the appetite and ambition. A second thing is how you deal with vested interests. You will get all kinds of people coming out and saying, "It does not apply to us," and giving reasons why we cannot do it and saying that this or that will not work et cetera. We are well able to face that down.

The things that concern me are the culture and attitudes around siloed thinking and budgeting. To my mind, that is the key to all of this. If we continue to have an environment in which people think only about their organisations and their part of the system, and do not co-operate and lead across the system, we will fail.

Right at the core of that is how we do budgeting. At the moment, we put money into lots of small silos and we then make accountable officers responsible for making sure that the numbers all add up. Their job is not to co-operate across the system; frankly, it is the opposite—it is to make sure that, for their bit of the system, they think, "I'm all right, Jack," and that everyone else can look after themselves. There are lots of great leaders in the system who work to overcome that structural barrier, but the system is designed in a way that prevents co-operation, system thinking and bulldozing of silos.

That is the single biggest barrier. If we do not get that right, the rest of the programme will not succeed. However, if we get it right, the rest of it is all manageable.

Alex Kerr: You have touched on a bit of a hobby horse of mine. If you watched the previous committee meetings, you will have seen that I raised that issue with the Auditor General and with other witnesses. In the update on the public sector reform strategy that you gave us, the preventative budgeting pilot is marked in blue, but the implementation of that is in yellow. I have asked various witnesses about preventative budgeting, which seems to me to be the key to breaking out of the siloed thinking that you talked about, because it removes the perverse incentive for folk who are looking after their own budgets to act in a siloed way. However, the witnesses have been a little unclear. How will that look in the budgeting process if it is implemented? When will it come into play?

Ivan McKee: That is absolutely key. The team that has been working on the preventative budget have done a super job. They have worked right through every budget line and identified not just whether it is prevention or reactive but which level of prevention it operates at—because, clearly, some prevention is more preventative than other prevention.

At the committee's meeting last week, an academic on the panel made the interesting point that, if you are not careful with your definition, everything ends up being preventative. The team have been careful to understand different layers of prevention, what falls into different categories and how to categorise them. That groundwork has been done. The key now is to implement that approach in a way that is absolutely mainstream in the budget process, alongside budget tagging that identifies which of the Government's priority budget lines are impacting—there can be different budget lines in different portfolios that impact different aspects of the Government's priorities—and where that money needs to be joined up.

That takes us into the world of accountable officer responsibilities. There are real issues there that need to be addressed. We need to get beyond the way that we do things at the moment and into an area where we have partnership and co-operation so that preventative spending can happen in one portfolio that benefits another, while the first portfolio does not see the benefit of that. At the moment, everything in the system is designed to prevent that from happening. Unless we break through that and structure our budgeting processes in a way that supports rather than prevents that approach, we will have a real problem.

Alex Kerr: I understand the logic there. In fact, portfolios are punished if they do that. It is not just that they do not get benefit; they are actually punished.

Ivan McKee: Indeed.

Alex Kerr: When will that process be embedded? The pilots appear to have gone well, so when will that start to roll out?

Ivan McKee: A budget cycle is coming up, and the Deputy First Minister leads the budget process. She is seized of the need to make progress on reform and, through the budget, to rewire the way that money flows through the system, just as we need to rewire everything else. I am confident that we will take steps to move that forward in short order.

Alex Kerr: There is a Government budget, and there is this sort of preventative budgeting. If we are moving towards a partnership delivery model with the third sector and local government, do you foresee that form of budget rolling out more widely than the Government budget?

Ivan McKee: There are various parts to that. Participatory budgeting is done at a very small scale, and that plays very much into the community empowerment agenda. As we move forward and look at how we dramatically increase the amount of empowerment that goes to local communities, how we line budgets up to support that is important. The third sector has, frankly, been a victim of a lot of the ways that we do this stuff, because we have umpteen bits of Government, all with different wee pots of money that they have got through their budget process, all cascading down. They then go to the third sector with different grant-funding schemes to do different things, and the third sector has to re-engineer itself on a shoestring and on a dime to be able to tap into different bits of Government funding to satisfy different criteria for very siloed objectives, rather than looking at the whole system.

We need a whole-system approach to working with the third sector on how we re-engineer the funding streams that go to the third sector so that they support, effectively, the whole family support mechanism. The third sector does that naturally. Government stops the sector doing it naturally, because we get in the way. That is central. That is part of how money flows through the system, and it is really important to get that right, too.

Alex Kerr: When Children's Hospices Across Scotland was in Parliament, it talked about partnership working and how it wants folk to look at its model for dealing with that.

My other question is on budgeting. I asked the Auditor General for Scotland a question that, I am sad to say, I did not have time to probe a little more deeply. At the other end of the budget process, if you get the preventative spend in place, the Auditor General and the Accounts Commission would have a key role in ensuring that it is not done in a way that punishes folk for thinking outside silos. How do you foresee the role of the audit body in Scotland and, I suppose, the accountancy body in Scotland in ensuring that that is delivered?

Ivan McKee: This is key. If you look at the relevant workstream in the strategy, it identifies how we audit as being a key part of that. You are absolutely right: if we are trying to instil behaviours that are systems thinking, silo busting, partnership based and preventative, but we are auditing people on how they look after their pot of money, requiring them to spend it on the things that are in their pot and not on anything else, that clearly just encourages bad behaviour.

I know from our engagement that the Auditor General very much understands this and is seized of the need to lean into this space. I think that he said that he was very keen to support, in every way that he can, and as the expert on auditing, efforts to make sure that we have processes that allow us to look at, and frankly audit, the behaviours that we are trying to encourage. That is important.

Of course, you need to check that money has not gone missing, that the numbers all add up and all that basic stuff, but, beyond that, people need to be asked how they engage with others, how they deliver on the preventative agenda, how much of their money is going into that, and how much of their funding they are sharing with other partners to deliver on shared objectives.

Alex Kerr: Absolutely. How they handle that will be an interesting learning experience for them, given the agenda for investing in third sector organisations and partnership working. A lot of good folk are doing that in my constituency.

Cabinet secretary, I apologise, as I must leave before the end of this meeting, but thank you for your time.

The Convener: Cabinet secretary, I want to check something with you before we move on. The Deputy First Minister is leading on the budget. When it is published, will it include a breakdown of preventative spend? Will it be clear what constitutes existing preventative spend? For example, you could argue that funding for family nurse partnerships, free school meals and free prescriptions is all preventative spend—and those are just some of the things that Government is already funding.

When you look at recurring budget lines, you can see that they represent preventative spend. However, that does not take us any further, because the money is already in the system; it is not new. When the budget is published, will it be clear where the new money for preventative spend is flowing through the system?

10:15

Ivan McKee: There are a few points there. The budget process is owned by the Deputy First Minister, so she will answer to how she wants to take the process forward.

On the mechanics of this, the work has been largely done. That is why it is colour coded blue in the strategy update, so that you can identify which budget lines impact different levels of preventative spend. You are right that that is the budget as it is. What that does is, for the first time, open up the window of opportunity for us to monitor and measure—to go back to your point about how we measure performance—and understand trends from that. We can see, from year to year, whether we are increasing the number, what we are targeting and in which areas, and where we would expect to see benefits as a consequence.

Murdo Fraser (Mid Scotland and Fife) (Con): Good morning, cabinet secretary. It is clear that public service reform is about two outcomes: improving outcomes for the public through better-quality services, and saving money. The committee issued a call for evidence to which we had a large response from many external stakeholders, and it is clear that many people see the priority as being improving public services. We also heard a lot of that last week in the evidence that we took from Stephen Boyd of the IPPR. Nevertheless, this is still against a very challenging fiscal backdrop for the Scottish Government, so there are two outcomes to try to balance. What I would like to understand from you today is how the Government sees the balance. I do not necessarily expect you to put numbers on that, although it would be helpful if you did. Again, how do you see

the balance between the two challenges of improving the quality of services and meeting the fiscal challenge?

Ivan McKee: That is really important, and the Government's perspective is that those are two sides of the same coin, if I can use that phrase. I have given some examples—and could give plenty more—of where, if you improve public services, you make them more efficient and save money as a consequence. That was core to what Christie said about integration and joining up services being more efficient. Prevention is more efficient, albeit that it takes a bit longer to demonstrate.

It is also about what people experience. People see things all the time. They say, "Why did this form have to be filled in six times? Why do I need to keep talking to different people in different bits of the system—why are they not talking to one another? Why are there different departments involved in providing this service? Why is it that, when they come and provide a service, they do only part of it and not the whole thing?", which might be because a bureaucratic hurdle somewhere has prevented them from doing the whole thing. Frankly, the public services are riddled with that—there is layer on layer of managers getting in the way of people doing their job. People who work in the public services and people who experience public services see that.

You gave some examples of win-win scenarios in which, by implementing technology or other process improvements, we would both improve services and reduce costs. We see them as two sides of the same thing and, if we do one correctly, we get the other as well.

Murdo Fraser: I will press you a little bit for some detail, because we are now nine days on from the programme for government announcement, and there is a lot of interest in what public service reform might mean in practice. You might have seen that your former ministerial colleague Michael Matheson said the other day that the reduction in the number of health boards from 14 to two is "fool's gold". I am not sure who he was suggesting the fool was in this particular circumstance. How do you persuade him—or anybody else who has an interest in this—that there will be better outcomes and savings to be made from what will be done, assuming that the reduction in the number of health boards is about delivering savings? Prior to the programme for government announcement, did the Government have modelling done on what will be achieved?

Ivan McKee: To be fair to Michael, what he said was that, in itself, structural change would not necessarily deliver results. He is absolutely right: structural change is very often a necessary but not in itself sufficient condition to deliver the objectives that we want to achieve.

Clearly, structural change is something that people can identify with and has received a bit of prominence in the discourse, given the announcement in the programme for government. However, it is important to recognise that the 17 workstreams that sit around those proposals are very important if we are to deliver them. The estate strategy is important in consolidating spending. The procurement strategy is important in being able to realise benefits often on a once-for-Scotland basis. The work on shared services is important in joining up services as we bring public bodies together. I could go through each workstream.

There is an interesting relationship between structure and culture. We can talk about culture until the cows come home, but stuff needs to happen to change culture. That might involve doing budgeting differently or re-engineering structures so that, to be frank, people get out of their comfort zones and think about improvement processes, rather than just doing things the way they have always been done. Therefore, there are also hidden benefits from structural change.

On your question about what detailed work has been done, it is important to recognise the scale of the system. I have worked on big and small transformations previously. In a perfect world, we would know everything before we started, we would understand exactly what would happen and we would work our way through the process. That can sometimes happen with smaller programmes. However, the reality is that, if we tried to do that with this programme, we would spend the next 15 years trying to figure out all the numbers, I and others would have moved on and we would just go round in circles talking about plans. To be frank, that is one of the reasons why we have not done that. There are no regrets options here. There are things that we need to do to get the ball moving. Some things will drive culture change, and we will need to work our way through other things as we uncover more opportunities and challenges.

I make no apology for the fact that we are moving. If we were not moving, we would never move. Given the scale of the system, we will never know all the answers to everything.

Murdo Fraser: I am trying to unpick everything that you have said. My question was quite specific. What modelling was done prior to the announcement? I take it from what you have said that the answer is, "Not very much."

Ivan McKee: We need to work through the details with the health service. There was a limit to the work that we could have done with the health service before we made the announcement. The

detailed work of pulling the numbers together is now starting.

The police reforms are an example of major structural changes that have been made since the Christie commission. By virtue of the fact that we have delivered police reforms, we save £290 million a year in the police budget. That money is invested back into front-line policing, if we want to call it that, because we are not multiplying all back-office spending by eight. Comments have been made that we are still realising benefits from the reforms a number of years later, which is good. If we scale up those numbers in relation to the health service—which is several times bigger than the police service—and other parts of the public sector, we can see that the scale of the opportunity runs into the billions of pounds.

There is another way to think about the issue. If we are asking public bodies to make reductions through efficiencies but structural barriers are in place, removing those barriers will allow them to realise efficiency savings that would not otherwise have been realised.

Murdo Fraser: That is a very interesting answer. You said that the scale of the opportunity in the NHS runs to the billions of pounds—

Ivan McKee: I said that that was the scale across the whole public sector.

Murdo Fraser: Oh, right—I apologise. You must have a number in mind for the NHS.

Ivan McKee: Ms Constance leads on that work, and her team is putting together a business case. As I said, the sequencing is important. We had to signal intent so that we did not go into a loop in which we talked about this for ever. The details will be worked through and, no doubt, published in due course.

Murdo Fraser: I understand that you might not have a detailed plan with numbers on some proposed NHS reforms, but the proposal to reduce the number of health boards from 14 to two is quite specific. I would have assumed that, before announcing the proposal, the Government would have done some modelling to work out where it wanted to get to.

Ivan McKee: That is a great example of what we talked about previously. I will be honest with you: I have no doubt that there will be significant cost savings to be made, but the bigger driver for the consolidation of health boards is improving public service delivery. At the moment, there are barriers and obstacles to the best delivery of services for planned care and, indeed, unscheduled care.

If we look at waiting lists and capacity in health boards, each health board has a separate waiting list and it runs that based on its own capacity. The process is not integrated and joined up in the way that it could be, because each health board runs its own budget, which is tied to the patient. If a board moves patients, it needs to move budget, and boards do not want to move budget for lots of reasons.

All those barriers prevent more effective service delivery, particularly in planned care. That is the primary reason for the change, and we recognise the potential for significant financial savings, as well.

Murdo Fraser: On the savings, every health board will have a chief executive, possibly a deputy chief executive, director of finance, director of human resources, medical director and director of public health. The Government has a no compulsory redundancy policy. What will happen to all those people?

Ivan McKee: The no compulsory redundancy policy is the same as it has always been.

Murdo Fraser: What will happen to all those people who are currently employed in very significant, high-level roles in the public sector, with very high salaries?

Ivan McKee: The no compulsory redundancy policy is the same policy as it always has been, which is that there is a process to explore every opportunity not to have compulsory redundancies. There is a chapter in the workforce manual that details exactly how that process works.

Murdo Fraser: It sounds like you came up with this idea on the back of a fag packet and you have not done any work to back it up. There is no modelling and no detail and there are no targets for savings by department.

Ivan McKee: Interestingly, there was an article in one of the newspapers last week that accused us of having done too much work on this. It said that we already had a pre-baked plan to move to two health boards, and that we had put in the groundwork for that in advance of the announcement. I thought that that was an interesting accusation. Quite a bit of work has been done but, as I said, the detailed numbers will become available as we work through the details.

The police merger is an example of where significant savings were made. Savings of £290 million a year still come through as a consequence of those reforms. Some of those savings are only now being realised. That shows that, once structural reforms are made, more opportunities become apparent. We will be able to see things that we did not see before, because it was all locked up in individual health boards. When we see the whole picture, even more will become apparent than we initially thought.

Murdo Fraser: Well, I wish you well with it.

Ivan McKee: Thank you very much. I look forward to your support.

The Convener: We will have a brief supplementary question from Joe Fagan, as other colleagues want to come in.

Joe Fagan: Yes, it is a brief one. The fiscal sustainability delivery plan includes a 3 per cent target for savings in the NHS. Are the reforms to health boards that were announced in the programme for government included in that 3 per cent, or are they over and above it? There is an understanding that that 3 per cent target is quite challenging. Previously, I think that it was 2 per cent—you can correct me on that. I am curious: are the benefits of those reforms to be included in the 3 per cent savings target, or is the target over and above that? When was the last time the NHS had a savings target of around 3 per cent?

Ivan McKee: I need to check, but I think, from memory, it has been 3 per cent for a while. I can come back and confirm that with you.

At fiscal level, the process is coherent and consistent. The Scottish spending review lays out the spending plans for the next five years, which are identified in different bits of the system, and it states what the trajectories look like. PSR is one of the tools that enables us to be able to deliver on those fiscal projections.

Joe Fagan: So, the reforms are a way of delivering the savings that you have already charted in the plan, and the savings are not over and above that target.

Ivan McKee: Yes.

Max Bannerman (Highlands and Islands) (Reform): I want to discuss local government reform with you. The Government has said that it is going to engage in a consultation period with local government and that that process is ongoing. The First Minister said that he did not want to be prescriptive about that, and that he wanted to consult on it. Can you give us an outline of the methodology for the consultation process, and tell us what the Government's starting point is for that?

10:30

Ivan McKee: Engagement with the Convention of Scottish Local Authorities has been happening throughout the summer. We had a COSLA leaders meeting the Friday before we launched PSR, and the DFM, the FM and I are attending a COSLA leaders meeting tomorrow. We will work with COSLA on the specifics of how often it wants to meet and what the shape of that will be. We do not want to be prescriptive and are open about that, although we hope to meet regularly. We are meeting individual councils and council leaders and others who have an interest, such as people who are part of public discourse and members of the Parliament. I am happy to meet anyone who has a contribution to make to what they think the shape of local government should look like going forward.

Max Bannerman: Is that conversation about structure and geographical boundaries? Is that as far as it goes, or is finance also being spoken about?

Ivan McKee: At this stage, it is about principles, which the First Minister has laid out clearly. Many councils are telling us that the ability to regionalise service delivery or back-office functions with shared services would help them with fiscal challenges. We have made a commitment to build on the regional structure by giving it a legal structure and the ability to take on more functions. It is important to empower regions in an economic sense and more widely. The community engagement piece is imperative as it will help to address many of the community cohesion challenges that we are experiencing in some parts of Scotland, where the population has a feeling of being disconnected from the democratic process. The community empowerment piece is key and central to that process. There are also fiscal imperatives. All those are the guiding principles and reasons for doing the work.

We are talking to local government about the shape of the framework. We are not at the point of drawing lines on maps; that may come. As I say, a lot of conversation needs to be had before that point. Everyone understands the fiscal challenges that local government is facing, so it is about working together to find the best ways to address them.

Max Bannerman: I was encouraged by your response to Alex Kerr, when you mentioned that you want to end the "I'm all right, Jack," mentality on budget accountability, with budget lines and responsibility for individual pots of money in isolation, rather than a joined-up approach. Yesterday in the chamber, I asked you specifically about cutting through silos. You agreed that that is a key part of your programme. I appreciate that the Deputy First Minister has primary responsibility for local government finance, but would you not say that it has to be part of your role as well?

Yesterday in the chamber, I gave you the example of a council that is blaming the Scottish Government for underfunding it. In its words, the Government has said that the responsibility for a bridge infrastructure project is with the local council, because that is its statutory responsibility. A silo has developed and local people will suffer as a result. Looking at that kind of thing, is reform

or reorganisation of council tax on the table as part of local government reform?

Ivan McKee: I apologise, because I do not know the specific bridge that you are talking about. You are right that the DFM has responsibility for those budget allocations and for engagement with local government about how money is spent and whose responsibility it is. That conversation is best had with her.

There has been quite a bit of engagement with COSLA over a period of time about what the future of council tax should look like. Those discussions are predicated on the assumption or the principle that it is revenue neutral. The conversation about council tax reform should continue, but I see it as separate from what we are talking about. As it will be revenue neutral by definition, it will not provide more resources to local government; it will balance out who pays what, but it will not change the quantum of resources that are available.

The Government has been clear that council tax reform is a really important piece of work. We have also been clear that it is important to have consensus on it. We are working with a range of partners, and that work will continue, but I do not see it as necessarily part of the same conversation as the one that we are having on PSR.

Max Bannerman: As part of all that, local councils have their statutory responsibilities and the Government has its responsibilities, and funding is separate, but those responsibilities exist and often seem to be in isolation at the moment. As part of the review that you are engaging on with local authorities, is there scope to look hard at those statutory responsibilities and consider whether the money should therefore be looked at again?

I appreciate your point on the council tax revenue-neutral issue, but councils currently have statutory responsibilities that, because they are statutory, they feel that they have to fulfil, but they cannot go beyond that. How will addressing that fit with the organisational work that you are doing?

Ivan McKee: That is absolutely the case. If proposals are made on how we might reshape statutory responsibilities, they will be part of the scope of the conversation. Clearly, it depends on what those proposals are, because they might not be possible, desirable or whatever, but they will be part of the conversation because it is all about figuring out what is done best at a national level, a regional level, an existing local authority level or a more local community level, and where best to design, deliver and make decisions on those services. If proposals are made as part of the conversation in that space, I am absolutely up for looking at them.

We will have a PSR bill, which is to address any legislative changes that it might be decided that we should progress.

Max Bannerman: I have a follow-up question on artificial intelligence, but we can come back to that issue.

The Convener: We will come back to that later.

Lorna Slater (Edinburgh Central) (Green): Thank you for sending us the progress report, cabinet secretary. Data sharing, which has already come up quite a lot in this committee, and "digital workforce" are coloured amber or red in that report. Can you highlight the issues in those areas and your plans for tackling them?

Ivan McKee: That is a great question. As I identified earlier, if we are talking about rewiring the state, one of the things that needs to be rewired is how data flows around the system. There are a number of aspects to that, and the folks working on resolving the technical aspects of it have done a good job. There are lines in the report on some of the more technical stuff that is in good shape in terms of providing solutions on how we share data.

This comes back to people's perceptions—frankly, this is a cultural issue—of what you are allowed to share, and the administrative mechanisms for how you go about doing so. As I said, the technical layer is in a better place, so such issues are no longer a barrier. It is now very much about engaging with those who are at the sharp end of those issues. Every week, when I meet third sector organisations, local government or service providers, I hear that they cannot provide data. I also hear from Cabinet colleagues that they have real issues with that.

Some good work has happened in that area. Social Security Scotland has done a lot of good work with other partners in that space, and a lot of that has been point to point. Taking a more systemic approach to the issue and getting to the core of the cultural barriers, such as why people think that the general data protection regulation stops them from doing anything, is a big part of the challenge. Engagement and working with partners on that is very much in my sights.

Lorna Slater: Is there a team leading on that? What resources are being put into the project?

Ivan McKee: My team has resolved technical issues, but there is much more to it than that; the issues are legislative and cultural. We in the PSR team would lead and facilitate that work, but a lot of partners here are very exercised by the need to do that work, be it in the justice, education social security or health space—frankly, it is everywhere—because everybody recognises that

it is a huge barrier that we need to lean in and work together to remove.

Lorna Slater: To change the topic, one of the elements in the programme for government that certainly jumped out at the Greens—I know that it did to many other colleagues as well—was the proposal to join up the environment agencies, similar to what was done in Wales.

In Wales, that led to substantial governance and oversight issues, including in relation to the management of money and effectiveness of the operations. However, those functions have not been broken up again—Wales is persisting with one big agency. As quickly as we could in the nine days since the programme for government was announced, we have spoken to stakeholders in the area, and everybody is on the fence. It could be fantastic, but it could be really, really bad.

I have two questions on that. First, given how substantial the change is, is it sensible to wrap it up in the year 1 bill with everything else, or would it be better to take a bit of extra time on the issue, partly because of the sensitivities, the sheer number of people and the powers that are involved? Secondly, what is your intention? What are you trying to achieve, specifically? The programme for government refers to removing "unnecessary barriers". What unnecessary barriers do you mean?

Ivan McKee: There will be duplication, and people who engage with those agencies will be talking to different agencies about things that are part of the same aspect of one issue. For example, the agencies will be looking at planning applications separately. They will have their own teams that consider whether to put in an objection and following that through. The agencies will have different perspectives on that, but that does not mean that there is no duplication in how they approach it.

Based on the resources that the agencies are applying to similar activities, and given that members of the public, businesses and others are having to engage with multiple agencies, we recognise that there will be scope to do that. Clearly—this applies across the piece—we need to get the governance right. That goes without saying, and it is about getting the right leadership in place to take forward the transformation or different elements of it. There is absolutely scope there. It is encouraging to hear you say that the process could work very well. We just need to make sure that we deliver it and that it does work very well.

Lorna Slater: It could work well in an environmental sense. Obviously, the cabinet secretary knows my political position on getting the Scottish Government to meet its international goals, such as the 30 by 30 conservation goal, and implement what it says it will do in its biodiversity strategy. When it comes to making things work better, what kind of framework are you thinking about, in terms of the national performance framework and international commitments? The area has many stakeholders, some of whom are very powerful stakeholders with powerful vested interests. Do you have a vision for what good looks like? What outcome are we trying to achieve? I hear what you say about duplication of effort and efficiency—we can all support that—but what is your vision for what environment agencies should do for Scotland?

Ivan McKee: I do not want to talk in the space of the cabinet secretary who has responsibility for that but, absolutely, there are opportunities to increase efficiency, remove duplication and streamline in the technical and other back-office facilities. There is a whole range of things, and there absolutely is scope to join things up better.

On what that does regarding environmental objectives, if we configure the agency right, there is a real opportunity for it to be a significant vehicle that can get its arms around various bits of what we are trying to deliver in the environmental space, on climate, biodiversity, flooding challenges, mitigation and so on. It has an opportunity to coherently join that up more effectively, to face into some of the big challenges and to have the scale to take forward the approach to those.

There is real opportunity but, as you said, the bit that we need to get right is how we design the organisation so that it delivers on those important policy objectives as well as the PSR objectives on efficiency and so on.

Lorna Slater: My final question is on a similar issue. The programme for government proposes collating the public bodies that own land—basically, that would mean putting responsibility for all publicly owned land in one place. That, too, could be fantastic for achieving things such as 30 by 30. NatureScot does an excellent job of managing its nature reserves, so more of that would be fantastic. We can all imagine public land being released for housing. That could have some great effects, but I would like to understand the cabinet secretary's intention in consolidating those land assets.

10:45

Ivan McKee: For all the reasons that you gave, that is an area that I and colleagues thought that we should recognise in the PFG. If you go through the PFG, you will find that, in some areas, such as health and the environment, we say, "This is what we're going to do," while, in other areas, such as local government, we say, "We have some guiding

principles, and we want to have an engagement process." There are other areas in which we have said, "We think we need to have a look at this. We're not quite sure what it will tell us, but we absolutely need to have a look at it." Land and culture are in that space, and there are other areas in which our thinking needs to be developed. The very fact of our doing that stimulates discussion and debate and leads to people coming forward with proposals, which allows us to consider what the opportunities are.

You are absolutely right. As you very succinctly identified, when it comes to land, there are tremendous synergies that we could leverage. If we could take that example and apply it more broadly as best practice, that could allow us to propel forward what is a very important resource.

The Convener: Lorna Slater mentioned the environment agencies. I note that the Scottish Environment Protection Agency has 1,300 staff, NatureScot has around 700 or so staff—the figure might be a bit higher—and Zero Waste Scotland has 169. From what I can gather, together, SEPA and NatureScot have 45 offices. Therefore, I can see why that is an area that might come in scope.

However, I come back to my original question. Each cabinet secretary is responsible for driving forward public service reform, but you sit at the head of that process in the Government, and, as a committee, we are trying to co-ordinate some of the common themes. Let us assume that I were to ask a question about what modelling work was done, what we could expect in year 1, year 2 and year 3, or how outcomes could be measured. It would not be possible to give an answer on those issues using the public service reform strategy update document that we received the other day. I just wanted to reinforce that point.

Ivan McKee: I get the point that you are making. You have outlined some of the opportunities that exist. As I said, as we work through the detail of those, we will be able to share more information with the committee. However, I make the point that, as we move through the process, more things will become apparent. With the best will in the world, a plan was put together at the start of the process, but more opportunities will be identified, because every time something is looked at, it gives rise to the thought, "Why don't we join up that and that?"

More opportunities will emerge. In some ways, the restructuring is the start, rather than the end, of the process, because it will allow the leaders of the various organisations to look at each new organisation as a whole and see where the opportunities are.

The Convener: Committees tend to scrutinise and count what we can see. It is hard to scrutinise what we cannot see—

Ivan McKee: Absolutely.

The Convener: That is why we are asking our questions and hoping to get more information.

Michelle Campbell (Renfrewshire North and Cardonald) (SNP): I would say that we have kept the best till last. Thank you for giving us your time. I put on record that this is the best committee that you will spend time with.

I direct members to my entry in the register of interests—I work for NHS Greater Glasgow and Clyde as a nurse, and I am a councillor in Renfrewshire Council. Given the broad-brush nature of our discussions, members will understand why I have made that declaration.

With regard to data sharing, the "Tell us once" narrative is now a focus for Government, and I want to look at how we can deliver on that. I appreciate that the focus of my questioning will be very health orientated, but I feel that that is relevant, given the gravity of what we are looking to achieve.

Data sharing across different systems can be a difficult issue, as can data sharing across different disciplines. For example, a general practitioner might see someone who is in distress and who needs to have contact with mental health services. However, because people are imperfect by nature, it might be out of hours. How can they access that information? A critical conversation might have taken place in which there was a misstep with the risk management of that individual, which can be picked up on only the next day. That is a classic example.

We are talking about changes to health boards. Even sending data from one health board to another can be an issue. Unfortunately, there have been missteps in care as a result, and it often turns out that feedback has been given in which people said that they had misgivings.

I will not say that this is the case 99 per cent of the time, because I do not have the exact statistic, but we often find that communication has been the biggest failure point, and that preventative measures could have been put in place. We need to look at how we can make services interact.

I understand that that is down to health services. I am not asking you to directly answer on that specific example, but it demonstrates some of the problems that we have, because there are different contracts for different systems within different health boards, and that is the level that we are talking about. It would be interesting to get some thoughts on that.

Ivan McKee: That is one of the advantages of having fewer health boards.

Can we quantify it? Maybe, to some extent, in relation to digital spend, although even that is difficult to do in terms of pounds, shillings and pence. You have articulated very well the potential operational delivery improvements from having data joined up more effectively; there are clear benefits to doing that.

You are right that, at the moment, there are many barriers, but how much of that is perception, how much is legal reality and how much is around the technical challenges of sharing data between different organisations such as health boards? I had a conversation in that space yesterday with somebody who is working on improvement activities. We should be able to get the data on what has happened in one health board, analyse it to understand how to drive improvement activities and transfer it so that we can compare it with what is happening elsewhere. At the moment, there are big walls that prevent that from happening, when it should just happen, so that is a clear example of where the restructuring will open up the opportunity to do things a lot better.

Michelle Campbell: On opportunity within public service reform, indicator 4/20 on page 12 of the 45-page update document talks about the "entrepreneurial mindset". Going through the pillars, clinical governance has a little bit of that flavour and it has been through a maturing process and is well embedded in the NHS, so I am not asking specifically about the NHS. However, when we bring these things in, how do we look to change our leaders in different sectors so that they really embrace that? How do we look to upskill individuals who maybe do not have that mindset?

Often, one of the greatest concerns of the public is that a vision is set out from the leadership, and from a governmental perspective, and that goes through its processes, but when it comes to real-time implementation, it is sometimes lost in translation. When we reach an evaluation period, it is at that point that we can see that there have been fail points, or maybe there has been some misunderstanding. How is the Government looking to address those points? We are looking to bring people into a more entrepreneurial mindset about these things, but that might not necessarily be a natural thing for people to lean into.

Ivan McKee: You are getting to the heart of the culture piece of this—

Michelle Campbell: Correct.

Ivan McKee: You are absolutely right that there are some phenomenally great examples, in health and elsewhere, of leaders at the local level who grab stuff and make stuff happen and who power their teams and work with them—they bring in innovations and new technology and make things happen—but it is not as widespread as it could be.

It comes down to the things that we have identified in workstream 1, around how we set the expectations on leaders' behaviours. This year's statement on that will be helpful, just to articulate what we think "good" looks like. However, it is very important that we then follow up with the core HR processes. Frankly, how we recruit, retain, promote, reward and incentivise leaders needs to be aligned to deliver those behaviours. As we talked about before, it is not only how you join stuff up with partners across the system, but how you empower your teams and enable innovation to flow through and be adopted into the system. That is absolutely right.

I will be honest with you—we have cultural challenges to address, but some of the structural stuff gets in the way as well. We have identified some of that, but one thing that I am very keen to do is to look at how many layers of management we have got in any given organisation. It is a metric that we are trying to push out to public bodies so that we can understand what it looks like, because it gives us a very quick indication of not just how much money is getting spent on those layers that could be spent elsewhere, but—probably more importantly—how much they are obstacles to people doing their jobs and doing things differently. If you have a lot of people whose job it is to say no, somebody is going to say no, and that is not helpful when we are trying to deliver what you are talking about.

Michelle Campbell: Thank you very much, cabinet secretary. On that point about deliverability and building public confidence, it is also important to note the opportunities arising from the points that you have just raised.

I will move on to page 10 of the 45-page update document. Action 4/16 mentions the expansion of the clusters programme. Do you have a timeframe for when you are aiming to publish the network of clusters, so that we are aware of when that expansion is likely to take place?

Ivan McKee: I will ask officials to pick up that issue. The clusters programme has been running for a while. It predates, in some areas, the PSR strategy. It is a very interesting part of the landscape work, because it is not about wholesale restructuring but about public bodies in common areas coming together to work on shared services, best practice, joining up data and all the things that you would expect them to.

That clusters work is important. We have expanded the number of clusters, and they are all at different stages of development, depending on

how long they have been going and what their challenges are.

I will bring in Simon Mair to talk about the status of the clusters programme and what happens next.

Simon Mair (Scottish Government): I agree with Mr McKee. The clusters programme has been running for some time as we have prepared the work on the public bodies landscape review and public service reform over the past couple of years.

We have nine clusters, including culture, economy, education, environment and forestry, and health and social care. They do two jobs: one is the fundamentally important job of bringing together public bodies to work through the options, how to develop proposals from the PFG, how those proposals are implemented and what benefits can come out of them. They are a really useful tool in Government for bringing that work together and working through exactly the benefits that you have been talking about.

Since the publication of the PFG and the proposals that it sets out, that process has been deepening and accelerating so that we can understand how we can implement those elements in the best possible way and provide the assessment and technical work that will underpin them.

We make a commitment in the update to publish that information on the network of clusters. I do not know the publication date off the top of my head, but we can come back to you with that detail.

Michelle Campbell: I have one more question. Page 16 of the update mentions the invest-to-save fund. I would like a bit more detail about which sectors benefit from that. What is the evaluation period for that investment, and what are your indicators of success?

Ivan McKee: I will let officials come in with more detail on that, but it is important to recognise the concept. We take a step back and say that part of the problem is that there is a barrier to carrying out preventative investment, because you invest in one place and the benefit comes somewhere else in a different financial year, and everybody is incentivised not to look at other financial years and other people's budgets. How do you tackle that?

The whole point of the invest-to-save fund is that it is a pot of money that is not tied to any portfolio. We encourage portfolios to bid jointly, and they come forward with a proposal. For example, we might invest some money in education and see some benefit in justice three years later and seek to quantify that.

That has been interesting, because it has forced people to think differently about how they do stuff. We have had a wide range of proposals. Many proposals, particularly in the digital space, although not exclusively, have been taken forward.

The way that it works is that you lay out at the start what the proposal is. You might say, for example, that you need £2 million in order to save £4 million over the next five years and that the money will start coming back in year 3. We then say that some of the savings will return to the fund and some of them will be retained by the portfolio under which the proposal was made. In that way, the fund starts to become a revolving fund.

The concept behind it is to get rid of some of those barriers. It has been successful to an extent. We have learned a lot from doing it about the real and perceived barriers and how people react to those.

Simon, do you want to talk through some of the specifics?

Simon Mair: On who the fund is open to and which sectors can benefit, it is open across the public sector. We have had bids from Scottish Government agencies, the NHS and public bodies. We also had a dedicated fund that was open to local government, recognising the slightly different financial environment in which local authorities operate and their specific processes in that regard. It was also open this year, I believe, to third sector partners that work with public sector partners to apply for funding.

As Mr McKee lays out, the intent is to provide cost-of-change funding for things that people would not ordinarily be able to fund within their existing budget.

The primary metric for success is financial. It is an invest-to-save fund. From memory, this year we had something like £47 million-worth of bids for a fund of £29 million. We ended up allocating £29.9 million. We are currently finalising the uptake and allocation of those bids with the providers.

11:00

For those bids, which cover a five-year period, the projected total savings is £178 million, but there are a couple of issues to flag in relation to those savings. First, there is a difference between direct cost savings or reductions and cost avoidance, and there is scope to account for both in those savings. Secondly, there is an element of risk in delivering those savings. As we go through the process—we are in only the second round—it will be important to monitor uptake, delivery and the realisation of savings, including whether bodies are able to return money to the fund, which is one of the fund's founding principles.

This year, the scope has been broadened, and we are working with organisations on how they

record and report preventative investment for different types of savings. We will monitor the situation as we move into implementation. The fund has been set up primarily to provide a return on investment for financial savings, but we are looking at whether there is scope to open up the definition of "savings" and at how we report and record them.

The Convener: I will follow up on the important issue that Michelle Campbell raised. My memory is now strained slightly, but, a few years ago, there was an NHS challenge or change fund that provided something like £10 million a year. The idea was that health boards and partnerships got that money for preventative spending on restructuring and new ways of working. The Parliament stopped looking at the fund back in the day, so it would be interesting to know how many of those projects were embedded in everyday revenue streams in the NHS. I do not expect you to know the answer to that, cabinet secretary, but is the assumption with the invest-to-save fund that public bodies must reorganise, restructure, release savings in a structured fashion and embed the new programmes for the longer term, so that they do not just draw the money for the short term and then go back to old ways of working, which might have happened in the past?

Ivan McKee: That is why the scheme is designed in the way that it is. It was a bit of a culture shock for some people, because they expected us to say, "Here's some money—go and do your thing." The funding is an investment that is supposed to save money, so there must be a return on it, with money getting clawed back through the process. The scheme institutionalises improvements, because people work differently in order to realise benefits, which continue into the future. If some money goes back into the scheme in, say, years 3, 4 and 5, people will clearly be getting all the benefits in the future.

The Convener: I am stretching my memory on the success of the previous fund, but it is worth checking whether we can learn the lessons of the past.

Can you say anything about the scope of the bill that the committee will have to scrutinise and the consultation process on it?

Ivan McKee: The bill will be configured very much as the answer to whatever problems we uncover. If we take a step back and consider the things that need to be fixed, as identified in the PFG, and the strategies that we need to take forward, we can see that we do not need legislation for much of that. The bill's purpose is to catch anything that requires a legislative change, and it will provide a vehicle for making such changes. Quite often, somebody says, "I want to change this, this and this, but I cannot change that because primary legislation is needed." The answer to that is that we will put such changes in the bill.

We will not be clear on the bill's shape or specific provisions until we have worked our way through the process of determining what we want to change. We have started to articulate a lot of that, but we need to work out the barriers to making such changes and how many of them require legislative changes. We are going through each line of the PFG to see whether primary legislation is needed, and we are also thinking about whether stuff such as the data-sharing work requires legislative change. If they do, we will think about what the changes should look like and put them in the bill. The short answer is that we will not know what will be in the bill until we have gone through that process.

The Convener: Is the consultation exercise similar when a draft bill is published?

Ivan McKee: Yes, consultation will follow on from that. We will not ask people what they think should be in a PSR bill unless we have identified cases where legislative change is required to remove a specific barrier.

The Convener: I would imagine that that would have to be a focused bill. I do not know whether moving from 14 to two health boards would require statutory underpinning. To illustrate the point, though, let us pretend that it would. There could be an amendment lodged in the Parliament saying that there should be five health boards, which, if agreed to, would result in the proposal becoming messy, unstrategic, unfocused and unworkable. I picked that as an example to ask what the scope would be for the Parliament to shape any legislation as it is presented to the Parliament.

Ivan McKee: When it comes to public bodies, I think that there will be very little reform that requires primary legislation. There might be some that does—we are working through that at the moment—in which case, that would be introduced. In the local government space, there would clearly be the requirement for primary legislation, but that will depend on how the timeline develops.

There could well be other things such as data sharing. If we wanted to do more centralised management of certain resources, for example, there are barriers that prevent us from doing that, yet doing so would allow us to leverage cost savings. There might be examples, and we will flush them out. However, any bill will, of course, go through the normal process.

Max Bannerman: I have a question on AI and your comment to Joe Fagan about a 4 per cent reduction target for non-front-line staff. We know

that AI is not a golden goose; I do not think that anybody would pretend that it is. However, how much have you factored that target into your work?

Ivan McKee: AI is very much an opportunity and a tool. If you look through our strategy update, you will see an action to investigate the opportunities that AI presents.

People jump to AI as being the thing that will fix everything, but it is important to note that we have a lot of more straightforward automation projects that have now been running for a couple of years. We have a great team in Government leading those. There are about 140 programmes laid out across different bits of the public sector and different bodies, and they have delivered savings of £10 million or more. We are investing more to expand that opportunity.

You might have an admin function that moves data from here to there and, in doing so, duplicates this or that, or you might be processing applications. The project looks at how to streamline the process. The team comes in, looks at it, maps it out and says, "We can implement a technical solution that removes 10 steps from the process, because it just auto-fills them." It is things like that. It is quite basic stuff, but it can make a real difference and, in the short term, there is probably more value in that.

However, we are watching AI and looking to take forward pilots on that, too.

Max Bannerman: I read that report, and it said that AI is an opportunity but that there is a resource constraint in funding right now. Do you have a plan to address that?

Ivan McKee: Going back to the point that we made earlier that hiring is still taking place but there is less of it, I have been quite clear that digital is absolutely a priority area. There is a bigger context here. I spoke with a civil service director general about this recently, because we are looking at that in Government, but there is also digital resource across the wider public sector. Every one of the 130-odd public bodies has its own digital folk. It is the same across local government and the health boards. The digital spend runs into billions of pounds; indeed, we are not quite sure how much the spend is, because it is in wee pockets all over the place. We are taking forward a piece of work on making that spend more efficient and accessing the digital resource that is spread across the system in order to leverage it more collaboratively and focus on tackling specific opportunities. One of the workstreams on digital resource leans into that space. It is all about resolving the issue of how to most effectively use the thousands of people who are working on digital across the piece to target these kind of projects.

Max Bannerman: In line with what the convener said earlier, I am very interested in seeing the modelling, assumptions and projections for that. If you would share that with the committee at some point, that would be appreciated.

Ivan McKee: Sure.

Michelle Campbell: I have a request. We can see how big a task the Government has in relation to delivering public service reform. Part of that delivery, and the necessary change of culture, involves bringing the public along with us. Ultimately, we need the public to believe that PSR will change public services for the better. My request is that we make the information that we put out there digestible for the public. Even among the indicators in the update document, there are some acronyms that are explained and others that are just used as shorthand. I appreciate that I can quickly google that to find out what they mean, but although I have the time to do that, people who are busy living their lives might not. Things are tough at the moment, and we want as much engagement as possible, so that people feel comfortable that they understand what the changes mean for their lives, and feel able to engage with consultation processes and so on in order to offer feedback. I ask that we make the information not only accessible, which is important, but digestible. We must try our best to present the information in a way that is not overwhelming for people who do not sit with this every day.

Ivan McKee: That is a valid point, and the convener made a similar point about the nature of the document earlier. The information that the Government has set out is about the framework and the structure of what is being done and about how we ensure that we are taking forward all the things that we recognise we need to do in order to deliver on the agenda. We share all that information in the interests of transparency. It is important that we do so, as it enables you to assess where you think we are and make comments on that.

When it comes to the general public, some people will be interested in diving into the detail, but you are right that it is important to get the clear message across from the top level that this is about delivering the excellent public services that the people of Scotland need and deserve, and doing so in a fiscally sustainable way. It touches on the issue of community empowerment and people feeling more able to make decisions in their local communities. That message is important, but it is also really important to engage with the public on the question of where they think that things can be made better. As I say, they will look at things and ask why we did something in the way that we did—everyone has a story where that has happened. When you talk to people about these

issues, the penny drops and they say, “Yes, you’re right”, and they understand that this is the opportunity to fix a lot of things that they encounter in their everyday interaction with public services.

The Convener: It has been a long morning for you, cabinet secretary, but I am afraid that there is one final question.

It has often been suggested in this place that balancing the Scottish budget and end-year outturns is like landing a jumbo jet on a postage stamp. What you have told us about today feels a little bit like that, given the time constraints. I understand the numbers that you have set out and that underpinning everything is the goal of having improved public services, greater efficiency and better outcomes for the people who use those services. You have talked about 0.5 per cent of public sector staff leaving or being redeployed within the services, and the £1.5 billion that is to be realised and reinvested, and how that will all happen over a three-year period.

Given that the goal is to deliver better outcomes, is there a world in which we accept that it takes three years and six months or four years to get those targets spot on, or in which, within that three-year period, only 0.4 per cent rather than 0.5 per cent of staff leave or are redeployed, or we realise only £1.2 billion rather than £1.5 billion? That is, could we accept that the aim of embedding that efficient, deliverable public service might be best served by taking slightly longer to do so or landing slightly off the targets?

Those are not things you want to hear, cabinet secretary, because you are driving that change forward, but it is a reasonable question for us to ask. Underlying that, what are the contingencies that the Scottish Government has in place if we do not land that jumbo jet on that postage stamp?

Ivan McKee: There are an infinite number of worlds out there, convener, and in all of them, there are different scenarios playing out. As I said at the start, the scale of this thing means that you cannot sit down on day 1 and say, “I am going to do this, this and this, and I am going to get that, that and that.” It is much more complicated than that, with an enormous number of things that can go wrong and opportunities for improvement that we have not even identified yet. Every week, I meet more public bodies and identify more things that can be joined up and made more efficient as a consequence.

In terms of the PSR strategy execution and all the work that is being done on the PFG, my approach is that we should drive on as fast as we can, tackle as much as we can as quickly as we can and deliver benefits that are as big as we can make them as soon as we can. Obviously, we will monitor the numbers, but this is not an exact science. It is about doing stuff in the right sequence, so that, as I said before, changes in the structure help to drive the culture change. It is about people being empowered to take forward other opportunities and having mechanisms to allow that to happen. We will push forward on that very broad front as quickly as we can without breaking anything. There will be benefits—we know there will be—and we will work together to monitor those as they get realised.

The Convener: I anticipated that that would be the response. Driving as fast as possible and realising the benefits as speedily as possible is absolutely your role here, cabinet secretary. I thought that that was an important question to ask for context.

Ivan McKee: Absolutely.

The Convener: I thank you and your officials for joining us this morning. We look forward to working in partnership with you in the months and years ahead.

We will now move to item 3, which we have agreed to take in private.

11:15

Meeting continued in private until 12:05.

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