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Finance and Public Administration Committee

Comataidh an Ionmhais agus Rianachd Phoblaich

Wednesday 30 September 2026

Session 7

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FINANCE AND PUBLIC ADMINISTRATION COMMITTEE
7th Meeting 2026, Session 7

CONVENER

*Clare Haughey (Rutherglen and Cambuslang) (SNP)

DEPUTY CONVENER

*Alan Brown (Kilmarnock and Irvine Valley) (SNP)

COMMITTEE MEMBERS

*Liam Kerr (North East Scotland) (Con)
*Michael Marra (North East Scotland) (Lab)
*Liam McArthur (Orkney Islands) (LD)
*Kim Schmulian (Glasgow) (Reform)
*Pauline Stafford (Bathgate) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Jennie Barugh (Scottish Government)
Carolyn Low (Public Services Delivery Scotland)
Richard McCallum (Scottish Government)
Lucy O'Carroll (Scottish Government)
John Sturrock KC (Core Solutions Group Ltd)

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Finance and Public Administration Committee

Wednesday 30 September 2026

[The Convener opened the meeting at 09:30]

Pre-budget Scrutiny 2027-28

The Convener (Clare Haughey): Good morning, and welcome to the seventh meeting in session 7 of the Finance and Public Administration Committee. I remind everyone to switch off or put on silent mobile phones and any other electronic devices.

Our first agenda item is evidence as part of the committee's pre-budget scrutiny for 2027-28, which focuses on the affordability and sustainability of Scotland's tax and spending plans. I welcome the Deputy First Minister and Cabinet Secretary for Finance and Local Government. The cabinet secretary is supported by Jennie Barugh, director of exchequer strategy; Richard McCallum, director of public spending; and Lucy O'Carroll, director of tax.

I invite the cabinet secretary to make an opening statement.

The Deputy First Minister and Cabinet Secretary for Finance and Local Government (Jenny Gilruth): Good morning. I am pleased to appear before the committee for the first time as part of your pre-budget scrutiny for 2027-28. I am sure that I will be back on a number of occasions in the coming months.

I welcome the committee's continuing scrutiny of the budget process and the insights that it has helped to provide, as well as the wider engagement with stakeholders that it brings. I have been following your evidence sessions and I know that members have explored a range of issues, which I am sure we will go into today, relating to the affordability and sustainability of Scotland's tax and spending plans.

It is fair to say that the recent evidence from Professor Graeme Roy from the Scottish Fiscal Commission set out the scale of the challenge that we face. He highlighted the weaker economic outlook and higher inflation than was previously forecast. That reflects rising energy prices—on which we have again seen reports today—that are driven by the developments in the middle east, which are feeding through to the wider global economy and harming our constituents. At the same time, demand for public services continues to grow.

These are not simply figures on a page. They have real consequences for households all over Scotland. The recently published "Scottish Economic Insights" report highlights a widening gap in consumer sentiments between higher and lower socioeconomic groups, underlining how unevenly the pressures are being felt.

Professor Roy also emphasised that the current fiscal framework gives the Scottish Government relatively limited tools to manage volatility. That reinforces the importance of the forthcoming fiscal framework review, and I will welcome the committee's views as we take forward that work.

The challenges that we face are real. However, as we navigate them, it is important to keep sight of the strengths that underpin Scotland's economy and public finances. That was reflected this week when Standard & Poor's reaffirmed Scotland's high investment grade credit rating, providing independent recognition of our approach to fiscal management and our commitment to sustainable public finances.

Considerable uncertainty also remains around the outcome of the United Kingdom Government's budget. During tomorrow's debate, I will set out this Government's priorities and where we need to see action from the UK Government. I am calling on the Chancellor of the Exchequer to deliver a budget that will support families on the cost of living and enable us to continue to invest in the services and infrastructure on which our people rely.

Despite that challenging backdrop, the Government is clear about its mission to ensure that public services remain affordable, sustainable and focused on delivering the greatest impact for the people of Scotland. That means maintaining a clear focus on reform, improving productivity, delivering efficiencies and ensuring that resources are directed to the Government's highest priorities.

Many of those themes have featured in the committee's inquiry. The fiscal pressures that we face are long term and structural, and meeting them will require an open and informed debate and good cross-party collaboration across Parliament about our priorities, trade-offs and the choices that lie ahead. Last week, I brought together members from across the Parliament for a round-table discussion on the economic and fiscal outlook to help to build a shared understanding of the challenges that we face as we approach the budget. I will do that again following publication of the UK Government's budget on 28 October, and I extend an invitation to all members of the committee to attend that update.

Although there will not always be agreement on every decision, I believe that there is significant common ground on our shared ambition to protect

vital public services and improve outcomes for the people who we all serve. I welcome the committee's contribution to that debate, and I look forward to hearing members' questions and views.

The Convener: Thank you, cabinet secretary. I am sure that the committee welcomes that invitation to a further round-table discussion with you following publication of the UK Government's budget.

According to the Scottish Fiscal Commission, a £720 million negative income tax reconciliation is forecast for 2027-28. That is likely to exceed the Scottish Government's borrowing capacity for managing forecasting errors. How does the Government intend to manage that shortfall? What are the implications for public services and budget decisions?

Jenny Gilruth: I know that you heard from the SFC about the negative reconciliation, and I will quote some of its forecasting here today, because that is a normal approach to Scotland's public finances. The SFC has published a couple of blogs, which I am sure the committee will be familiar with and which look at the variation in reconciliation across the piece. That is a common feature of our approach to Scotland's finances.

More broadly, the £720 million reconciliation is a normal part of the fiscal framework. I made the point in my opening statement that the opportunity to reform the fiscal framework is coming up through the review, and I would welcome the committee's views on how we can strengthen that opportunity, which is not without challenge.

We have seen stronger than expected growth in UK income tax receipts and have tools to mitigate that. As you mentioned, convener, we can borrow, but we have exceeded our borrowing limit. We also have an opportunity through income tax and our approach to that tax is more progressive in Scotland, so we are able to offset some of that. The forecasting from the SFC shows that £1.2 billion more has been raised in this financial year than in 2025-26, so our approach to taxation gives us opportunities to mitigate that.

On your broader point, that shows the fragility of Scotland's finances because of volatility that we cannot always plan for. If you look at the SFC's blog, you will see the variation in forecasting errors from 2019 right up to last financial year. It is challenging for the Government to manage that variation, so I think that the long-term solution will come from the opportunity that is presented by the review of the fiscal framework.

The Convener: I am sure that many members of the public are not aware of the impact that reconciliations can have on the Scottish Government's budget. I know that there was a plea from the previous finance committee to increase financial literacy.

You spoke in your opening statement about the volatility of the world that we are living in and the current unpredictability of the world economy. Given that uncertainty and the uncertainty about economic growth, inflation and UK Government tax and spending decisions, how is the Scottish Government incorporating those risks into its medium-term financial contingency planning? What measures will be considered, should economic conditions deteriorate further?

Jenny Gilruth: It is fair to say that we will wait to see the outcome of the UK Government's budget in the coming weeks, but we must operate within the constraints of the current framework, which has limits regarding borrowing powers. We may go on to talk about that later.

The Government has always balanced its budget, because Scotland has to. Our approach has been financially prudent and we have taken a range of measures to do that. The medium-term financial strategy, as was set out by my predecessor back in June last year, set out that approach and was accompanied by an approach to savings that will help us to meet some of the challenges that we have spoken about. The strategy looked primarily at the opportunities that will come from reforming our public services and, although Mr McKee is leading on that work, he and I are very much in lockstep in our approach. To be blunt, I need Mr McKee to help deliver the savings that we require from public service reform.

When the MTFS was published last year, we estimated that £2.6 billion would be delivered via public service reform by 2029-30—my officials will correct me if I am wrong on that figure—and our wider approach to public service reform must provide greater sustainability, because we know how challenging the current outlook is. That outlook also necessitates our approach to reform: we cannot stand still.

We must also drive economic growth, which is at the heart of the programme for government, as members will be aware, and is also vital to improving public services. We also need a more sustainable approach to taxation and have set out some of our work on tax strategy. The spending review translated some of that work into the portfolio and efficiency savings planning that all cabinet secretaries, including me, took part in during last financial year. Those plans were published with the budget back in January. It was a new approach for us to be so transparent about the scale of portfolio challenges and about the collective aspiration to achieve the sustainability that all members of the Cabinet are bound to deliver.

The work on those efficiency savings plans is ongoing across Government as part of the budget process. I am keen to hear the committee's views on whether we should take that approach in the future to show transparency at portfolio level and to focus minds. That is a collective endeavour by the Cabinet, and all cabinet secretaries will have a role to play in delivering a quantum of savings to meet the financial challenges that we face.

The Convener: We move to questions from other committee members, starting with Liam Kerr.

Liam Kerr (North East Scotland) (Con): Good morning, cabinet secretary. When the Government decided not to publish a medium-term financial strategy in the spring, we were told that Parliament would instead get a fiscal statement in September. We are now at the end of September, and you told the committee yesterday that the statement is not happening. What changed between your giving us the information in June that we would have a fiscal statement, and your notification yesterday? When did you decide not to give us a fiscal statement?

Jenny Gilruth: On the final point on the decision, I will check with officials. I think that it would have been in late August, but we can come back to you with the specific date. We discussed it at the time. The significant political change is that we have a new Prime Minister and a new Chancellor of the Exchequer, which has fundamentally changed our approach in relation to the update.

Another point to be mindful of—you will have seen this in correspondence with the committee—is that, if I had given an update in September, the data that I would have used to inform that would have been outdated, because the Office for Budget Responsibility forecasts predate the middle east war. We would therefore have been using outdated data to provide an update to Parliament. Of course, the UK Government's budget is coming in 28 or 29 days.

The point is that I did not feel that giving an update at this point would be particularly helpful to Parliament, because it would have been using outdated data. We have also had a new chancellor coming in with a new approach to spending, which will inform the plans that we are taking forward. The decision was therefore taken not to provide that update.

Tomorrow, I will set out the Government's approach to the budget, and I very much welcome Mr Kerr's contribution to that. It will be an open debate—I hope that there will be a constructive approach to the Government's priorities, and we will listen to other parties' aspirations.

Liam Kerr: For clarity, the Scottish Government was unable to respond, despite all its resources, to the middle east war, which started some considerable time ago, in order to give a proper update to the committee.

Jenny Gilruth: No—the OBR had not updated its data since the middle east invasion, so the last update that we had was from March. I will check with my officials on that—yes, the data predates the invasion and, therefore, the economic impacts that we all know have flowed from it.

If we had used that data, it would have told quite an unhelpful and inaccurate story about the state of the public finances. We all know that, since March this year, inflation and bills have increased, and the economic volatility that the convener spoke to therefore needs to be reflected in the Government's approach. If we were to use the data in the MTFS, as would have been the case previously, it would have been outdated, and I do not think that it would have helped to inform Parliament as to the most accurate approach.

Liam Kerr: Given that the Government has chosen not to publish an MTFS in the spring, and now we are not getting the September fiscal statement, what do you suggest that the committee and the Parliament can use to scrutinise the Government's medium-term spending plans prior to the budget?

Jenny Gilruth: There are a variety of sources that could be used to scrutinise it. There is the autumn budget revision, which was published at the end of last week. We have also had the update from the chancellor coming into office, and a range of spending plans have been put forward.

We have the spending review, and the budget from last year and the interrogation of that. There is the infrastructure development plan and the portfolio efficiency and reform plans, in which I know Mr Kerr has taken a keen interest. I do not know whether officials want to provide anything further in relation to our approach.

Liam Kerr: Out of interest, cabinet secretary, if the committee and Parliament can use all those to produce the forecasts, why cannot the Scottish Government do so?

Jenny Gilruth: We can. I was making the point that, if we were to produce a forecast that was predicated on the OBR data, it would be out of date, because that data came from March, prior to the Iran invasion.

Liam Kerr: I asked you how we are supposed to scrutinise. You told me, but—for some reason—you cannot use that data for scrutiny.

Jenny Gilruth: The data to which we have access is out of date, so I did not feel that giving an update to Parliament at this time would be helpful, given that the UK Government's budget is

in four weeks' time. We would be giving a medium-term update in advance of a UK Government budget, with a brand-new Prime Minister and chancellor—who, incidentally, have already taken decisions on defence spending which we think will have negative impacts for us in-year. That is relevant.

I took the view that that would not be the most appropriate and prudent approach, because we would be giving Parliament an update that was informed by data that would, three or four weeks later, be out of date and by data from March that is also out of date, because it predates the Iran invasion.

Liam Kerr: The committee's 2017 budget process review group recommendation was for an annual MTFS specifically to focus attention on the longer-term sustainability of Scotland's public finances. The committee reiterated that concern after the 2024 omission.

At that time, the Government recognised the need to give Parliament a fiscal statement to support transparency and scrutiny. Indeed, your letter acknowledges

"the Committee's interest in ensuring transparency of the progress made towards addressing the fiscal gap"

of £5 billion. Why has the Government's approach to parliamentary scrutiny changed?

09:45

Jenny Gilruth: I do not think that the Government's approach has changed—we will probably disagree on that, Mr Kerr. We have to look again at the political shifts that have happened in fairly short order. Forgive me—which year was it that you cited? Was it 2017?

Liam Kerr: In 2017, the Finance and Constitution Committee reported, and then in 2024, we had a reiteration when the previous finance secretary was unable to provide that information.

Jenny Gilruth: Since 2017, we have had a variety of Prime Ministers and chancellors, who have all taken different financial decisions—that includes Liz Truss and the mini-budget in 2022. There has been quite a lot of volatility in terms of political shifts.

It is prudent for me to remind the committee that a decision was taken in advance of the elections not to set out a medium-term financial strategy. On coming into post, I reflected on the position at that time, and it was my intention to bring forward a statement. We then had a change of Prime Minister—I wrote to the committee on these points—and a change of chancellor.

The approach that the new UK Government is taking on the issues is markedly different from that of its predecessors. I welcome some of the movement on further devolution for Scotland and the additional finance that I would expect would flow from that. However, there has been a shift in the political make-up, and it is prudent for the Government of the day to reflect on that and not necessarily to be bound because of the circumstances that Mr Kerr has relayed. Circumstances change, and Government has to respond accordingly.

To go back to the original point about the OBR, Mr Kerr seems to be asking me to use outdated data from the OBR to provide an update to Parliament that I know would be inaccurate. I do not think that that would be helpful to Parliament with regard to the scrutiny and transparency that members expect. I think that you should have the most up-to-date data possible, which is exactly why we decided not to make a statement at that point. I hope that, in the coming weeks, the transparency that the UK Government will provide us with will help to inform the Parliament's understanding.

More broadly, with regard to some of the information for which Mr Kerr is asking me, I should say that I also seek that information from my counterpart in the UK Government. Two weeks ago, I met the Chief Secretary to the Treasury and made those points about information sharing. It would certainly help the Scottish Government in our approach to long-term forecasting if there was better sharing of information and data from the UK Government to inform our decision making. I would then, with regard to my approach to the committee, be able to share that data with you more readily.

Liam Kerr: I have one final question at this stage. I am not asking you to rely on out-of-date data; that was not my point at all. However, let us talk about actual Scottish Government data. You refer in your letter to "the fiscal gap" of nearly £5 billion as

"set out in the 2025 Medium-Term Financial Strategy",

and you talk about

"the contribution of efficiencies and reform."

The 2025 MTFS actually set out some savings ambitions. In the absence of an MTFS this year, and of a fiscal statement in September, how much of the savings that your Government identified that it expected to make by 2029 to 2030 has actually been identified, how much has been delivered and how much has been secured so far, to what value?

Jenny Gilruth: You are right that a broad range of savings were identified through the portfolio efficiency and reform plans. I think that it was £2.6 billion from reform, including workforce savings

and reprioritisation. That is across Government, and that takes us right up to 2029-30.

With regard to an update on that, I am happy to write to the committee on the detail. I will defer to officials on this, but I do not think that we committed to publish information line by line by portfolio. However, that was, and is, being driven forward. It was discussed—although I cannot go into it—yesterday at Cabinet, and it is regularly monitored across the Government.

In my previous role in education, we were held to account on our portfolio efficiency and reform plans—all cabinet secretaries are engaged in that process. I refer the committee back to the publication in January that set out every portfolio's savings targets and the quantum that every cabinet secretary was expected to deliver. That is currently being monitored internally, but I would be happy to write to the committee with further detail on it.

There is an opportunity through the budget to reset some of the work on the transparency angle, and I would welcome the committee's views on how you might want data to be shared in that regard. We need to learn from this approach—the approach that we took last year, as I understand it, was the first-ever time that we, as a Government, had published the long-term savings picture across the piece, and that locked in cabinet secretaries to those savings. It is important that we learn from that experience and provide that additional data to the committee throughout the year, where we can do so. We monitor the issue internally, but I am happy to reflect, with officials, on how we can communicate that to the committee as the year progresses, particularly in advance of the budget.

Liam Kerr: That is what I am asking. The MTFS was published last year—in fact, it was well over a year ago. You said something about a publication in January, and about cabinet secretaries being locked in—

Jenny Gilruth: Yes, it was alongside the budget—

Liam Kerr: Can I have an update, please, cabinet secretary? How much?

Jenny Gilruth: I do not have the specific numbers per portfolio in front of me today—

Liam Kerr: That is extraordinary.

Jenny Gilruth: —but I would be happy to share that information with the committee; I will ask officials whether we are able to share that data. It is currently internal work, and we are midway through the financial year. You will understand that colleagues are making progress in relation to their targets as we progress through the financial year.

Liam McArthur (Orkney Islands) (LD): Good morning, cabinet secretary. You make a fair point that some of these decisions are having to be taken in the context of shifting sands, but in recent weeks, the committee has heard a pretty consistent message from witnesses about a mismatch between policy ambition and implementation plans. I will give one example. Stephen Boyd of the Institute for Public Policy Research Scotland said:

> "the policy framework as a whole—the MTFS, the fiscal sustainability delivery plan in particular, the spending review and other documents published since—does not provide a credible and coherent plan for dealing with the fiscal challenge that the Scottish Government is going to face over the course of this parliamentary session".—[*Official Report*, *Finance and Public Administration Committee*, 9 September; c 27.]

We have a range of plans and strategies, but at this point, we have no real evidence on how those are working in practice. I understand that the Government will have to respond to circumstances, but, fundamentally, there seems to be a view among many of the witnesses from whom we have heard that the efficiencies and savings outlined in the plans that have been published do not appear to be realistic or deliverable.

What reassurance can you give those witnesses, and the committee, that you are listening to their voices? Those are not new criticisms—Audit Scotland has, over a number of years, been making similar statements that the detailed plans to back up the commitments made by the Government are simply not there.

Jenny Gilruth: I welcome Mr McArthur setting that out, as it lends itself to the challenge put by Mr Kerr, which is fair. There is an opportunity for the Government to reflect on our approach to budget and transparency through the process. We are at the start of a new session of Parliament and I am a new finance secretary, so there is perhaps an opportunity for us to learn from the critique. With regard to the issues that Mr Kerr highlighted, some of the critique is fair, and I would be keen to take that away and work with the committee on how we can improve the arrangements for the publication and sharing of data.

I listed a range of different documents that we provide. I understand from officials that the transparency that the Scottish Government provides is not provided by the UK Government. I do not think that the UK Government should be our comparator in that regard, but we should have a consistent approach across the UK to sharing financial data with our relevant committees and the relevant Parliaments.

Through the fiscal framework review, there is an opportunity to take a more consistent approach to

arrangements for sharing data with Parliament and to look at how that approach can be shared across the piece.

We have published a variety of different data points, as I outlined to Mr Kerr previously. However, through this budget process, there is an important opportunity to reset some of that work with the committee. I am very much in listening mode on that. We have taken a particular approach previously, but I am more than happy to take critique from the committee about how that might be improved, because I hear the challenge that has been picked up in the evidence sessions, and I think that some of it is fair.

Liam McArthur: Can I take it from that that the suggestion that the efficiencies and savings that have been set out in the MTFS are, in essence, not credible and will have to be reviewed?

Jenny Gilruth: Well, I am not going to say that, Mr McArthur—that would be a bridge too far for me. It is fair to say that they are ambitious—they need to be. However, if we look at the figures, we are setting out details of roughly £1.5 billion of cumulative resource savings over the spending review period. We are looking at things such as consolidating public bodies, on which Mr McKee is leading, estates rationalisation and work on digital delivery. There are opportunities through public service reform more broadly. This week we have been very much focusing on local government reform to drive efficiencies across the piece—colleagues may have been in the chamber yesterday for the debate on that. There are also opportunities through healthcare reform, on which Ms Constance will lead. Moving to an approach with two boards—east and west—will give an opportunity for further savings.

It is fair to say that the requirement around savings is ambitious, but I do not think that it is unrealistic. The ask around transparency is a fair one. Some of the work is informed by Mr McKee, but I think that there is an opportunity through the budget process to strengthen reporting to Parliament on those matters, particularly in terms of PSR. Referring to the fiscal gap, which I am sure we will go on to talk about, we need the savings to materialise for the Government to be able to move forward.

Liam McArthur: We will come on to public sector reform.

Kim Schmulian (Glasgow) (Reform): Good morning, cabinet secretary. I wish to follow up on what Mr Kerr and Mr McArthur have asked. Regarding the departmental savings and other savings that you have outlined, can you give me a figure, or an indication, of how much they have cost to implement? Will those savings be recurring?

Jenny Gilruth: I set this out in response to the opening question from the convener. What we would quantify as the gap was identified in the MTFS. It was £2.6 billion by 2029-30, and a capital gap of £2.1 billion by 2029-30. That is the gap only if we take no action—PSR is very relevant in that regard.

We know what is driving some of the challenge: demographic challenges, inflationary impacts and constrained public sector growth. We need to take action on those points: £2.6 billion will be delivered through public service reform, which includes workforce reform and the reprioritisation that I spoke about in response to Mr McArthur, as well as our approaches to economic growth and to taxation.

Kim Schmulian: I appreciate that, but any transformation has costs involved, and we would like clarity about those costs. We want to be able to take those costs into consideration so that we can anticipate what savings will be available in the future.

Jenny Gilruth: I have just set out the resource gap and the capital gap, which is £4.7 billion—we think that is the figure of £5 billion that the Institute for Fiscal Studies arrives at. I do not think that we are too far apart in identifying the fiscal gap at the current time.

Kim Schmulian: But where would I be able to read about the costs that have been involved in making the savings? Are they published?

Jenny Gilruth: You would be able to read about the Scottish Government's approach to closing the gap in the medium-term financial strategy that was published in June 2025. It sets out our approach to reforming public services, with the £2.6 billion from reform, and the broader opportunities to narrow the gap through economic growth and sustainable approaches to taxation more broadly.

Kim Schmulian: But that is not going to give me actual budget lines of savings. I would like to know about costs.

Jenny Gilruth: Could you explain a little more about the costs to which you are referring? I have given you our understanding of the gap and our approach to the MTFS. Are you able to share a bit more around costs, Ms Schmulian? Are you talking about invest to save?

Kim Schmulian: Yes. I am talking about these things; I am talking about actual budget lines for costings, so that we can analyse how much you have spent to save.

Jenny Gilruth: I will bring in Richard McCallum on the point about budget lines in particular. I suspect that we will identify this issue through the budget process.

Richard McCallum (Scottish Government): One of the key considerations for the delivery plans that the portfolio has been asked to develop has been to map out all the efficiencies and savings and what they can generate. If there are up-front costs, the plans need to reflect those and set out how they would be managed. The expectation would be for that to be managed primarily through individual portfolios. However, as was set out in the 2026-27 budget, an invest to save fund has been in place for the past couple of years. It has not been a huge fund, but it has allowed some organisations to make progress in moving towards that transformation. We had £30 million in the budget last year, which supported some of the initial investment. That would be one factor. It is all part of the need for portfolios to work that through as part of their overall efficiency and reform plans.

Michael Marra (North East Scotland) (Lab): Will we get an MTFS with the budget?

Jenny Gilruth: I think you will get an MTFS with the budget. I think you will have the budget with the budget.

Michael Marra: But the budget will not give us the medium-term context. You have set out the reasons why we will not receive an MTFS at the moment. You have said that the UK Government budget is coming forward, and that there are changes being made. We do not anticipate another new Prime Minister or a new Chancellor of the Exchequer before your budget.

Jenny Gilruth: I hope not; you might know, Mr Marra, but I do not know.

Michael Marra: I hope not as well, cabinet secretary.

Why will we not get an MTFS with the budget?

Jenny Gilruth: I invite Jennie Barugh to come in on the specifics.

Jennie Barugh (Scottish Government): It might be helpful to say that the Scottish Fiscal Commission will publish its five-year economic and fiscal forecasts alongside the budget, as usual. Those forecasts include the five-year fiscal outlook, so they will include the funding outlook for the five years. That will provide a medium-term funding context for the funding position.

Michael Marra: But not for the expenditure side.

Jennie Barugh: Not for the expenditure side.

10:00

Michael Marra: The SFC is very clear that it believes that we should have an MTFS. We have had repeated evidence, including from Graeme Roy, who sat where you are now. that it is essential, so, again, why would we not see an MTFS? You will have all the figures that you said you needed by then, so can you say to this committee now that you will publish an MTFS with the budget?

Jenny Gilruth: I can say to you that I will reflect on your point, Mr Marra, and speak to officials, and I will come back to the committee in writing on that point. I think that it is a fair ask.

Michael Marra: How often do you think the MTFS should be published?

Jenny Gilruth: The commitment just now is annually, as I think we rehearsed with Mr Kerr.

Michael Marra: Yes, but it does not really happen annually. I understand some of the context that you have set out. We did not have one earlier this year—in response to Ms Schmulian's questions, you referred back to the one in 2025. Would you not recognise that the global volatility that you described is actually more of a reason to have a medium-term view of our fiscal position?

Jenny Gilruth: That is a fair point.

Michael Marra: Are you committed to that? You are talking about taking the opportunity to reflect on the process and I am a little bit worried that that might be an indication that you do not think that we should have an MTFS in the future.

Jenny Gilruth: No—sorry, that is not what I meant. The point about reflecting on the process was much more specifically in relation to Mr McArthur's points about the variety of different publications that we have and the opportunity for greater transparency and information sharing with the committee. It is not about movement away from the MTFS.

Michael Marra: Okay, that is good to hear.

So, you will reflect on whether we should receive an MTFS with the budget. Will we receive the next one on time next year?

Jenny Gilruth: That would be my aspiration, yes, absolutely.

Michael Marra: That is the intention.

Jenny Gilruth: Unless we have any more political shifts—which I hope is not going to be the case.

Michael Marra: Okay, that is fine.

I was reflecting on your visit to the finance interministerial standing committee. The information that you supplied on that gives a real picture of global volatility and constrained trade, including the issues around Iran that we have talked about already, and the significant increases in borrowing costs. What do you think the response to that should be?

Jenny Gilruth: We had a helpful meeting in Cardiff a few weeks ago with the new Chief Secretary to the Treasury, Emma Reynolds, which was quite positive in tone.

In terms of the challenges that the UK Government faces, the devolved Governments were in lockstep around our asks. I wrote to the chancellor a number of weeks ago specifically asking for a real-terms uplift for Scotland's budget and setting out the need for investment in public services.

I will be candid with you, Mr Marra—I think that there are some similarities with the new Prime Minister's approach and his mood music around investment in public services, which I would welcome. That has been a shift from his predecessor. I very much hope, too, that his ambition around further devolution for Scotland means that consequential funding will flow to Scotland to allow us to drive growth. There are shared priorities for us in that regard. There were also asks around an end to policies of austerity in our welfare space, such as the bedroom tax, the benefits cap and the local housing allowance freeze.

I would be more than happy to share the correspondence that was sent to the chancellor on all those points around budget asks—again, to help to facilitate transparency.

Michael Marra: How do you think those things should be paid for?

Jenny Gilruth: There are a variety of approaches that the UK Government could take. Of course, it has borrowing powers at its disposal that we do not have and it has opportunities to drive further reform that we do not—around taxation, for example—but we want to work in lockstep with the UK Government on all these issues.

We also think that the approach that was taken to national insurance contributions last year did not provide Scotland with consequential uplift, so there is a gap there that we have had to step in to ameliorate.

There are opportunities to smooth out some of the challenge that the UK Government has.

My final point is on European Union membership. Again, the Prime Minister has helped to align us better with Europe, but there would be opportunities through rejoining the European Union. That is not going to happen tomorrow, but it would certainly help with some of the economic challenges that Scotland currently faces.

Michael Marra: Yes, it is not going to address the issues that we are facing ahead of the budget, that is for sure.

You identified the problem of interest rates and the cost of borrowing, but your answer to that seems to be, in part at least, more borrowing, but the fiscal rules that the chancellor and the Prime Minister have recommitted to adhering to would indicate that further borrowing will be significantly challenging. Do you recognise that challenge?

Jenny Gilruth: We recognise it, but, as you will be aware, the UK has one of the highest borrowing rates in comparison with other mainland European countries. We have extremely high borrowing rates, which the chancellor himself has spoken about, so there are opportunities to reform the way in which the UK Government borrows in order to lessen that cost. That is not a matter for me, but we would support the calls that the chancellor has set out, because we want to drive forward economic growth. There are opportunities for reform in that regard.

Michael Marra: Okay. We will come back to bonds later—I will leave some of my other questions until then.

Returning to the £5 billion gap that was identified in the MTFS, when will we receive an update on that figure, in line with updates on other questions? Will it be ahead of the budget? On what basis can we judge the budget without knowing whether you have met your targets?

Jenny Gilruth: As I identified in my response to Ms Schmulian, we broadly agree on the quantification of the financial gap. Ms Robison set out the response to that in the medium-term financial strategy in June last year. On the question of how we measure it, the portfolio efficiency and savings plans are part of our response; the other part is the public service reform agenda that Mr McKee is driving.

I will reflect on how we can engage with the committee on evidence sharing around the budget. We will have to be prudent and transparent about such things. Speaking to Mr Marra's overall question, there is an opportunity in the budget process to track and quantify how those savings are delivered throughout the financial years: the target takes us to 2029-30, so we do not need to deliver it all in one year, but there is an acceptance across the Government that we will need to move at pace.

A theme in Mr Kerr, Mr McArthur and Mr Marra's questions has been how we share that evidence. I am more than happy to take away that point about the budget and how we can convey that evidence to the committee and to the Parliament more broadly. The scale of the financial challenge is stark—I do not shy away from that—and it will be important to consider how we share that information with the Parliament. That speaks to the convener's point about financial understanding

across the Parliament and how we engage on the budget.

Michael Marra: You will understand that it will be difficult for the committee and the parties in Parliament to engage in that process if they have no sight of whether those planned targets have been met, either through an update against the fiscal sustainability delivery plan or an update against the MTFS.

Jenny Gilruth: That is fair. Mr Marra was not there last week—although his colleague Joe Fagan was—when I sat down with the chief economist and several Opposition members to talk about the scale of the economic challenge in front of us. That was a private session; I thought that it was important for setting the tone ahead of the budget. An ask came for us to do exactly the same on the back of the UK Government's budget, so I extend the offer to all committee members to sit down with the chief economist and look at where we are.

I will take away Mr Marra's specific point about how we track the savings and how we convey that to the Parliament, because it is a fair ask.

Michael Marra: Will you publish an updated pay policy alongside the budget?

Jenny Gilruth: I am taking advice on that. We will have to review the pay policy. Colleagues will be aware that we set limits for three years and we are coming to the end of that cycle. Decision making about the pay policy will be informed by the settlement from the UKG, so we will need to be mindful of that. My expectation is that we will approach that policy in a different way going forward.

Michael Marra: The content of that policy is not the question for the moment. The question is whether you will publish the policy and provide it to the SFC. Doing that is part of the concordat that exists in order for the SFC to prepare for the budget. In the past, that has not happened; it should be proper practice. Are you committed to doing that and to making sure that the SFC has a proper pay policy?

Jenny Gilruth: I am happy to do that. I have a wee bit of homework to take away from today's session; I will take away a list of things to share with the committee. This is an opportunity to refresh how we budget in Scotland. We have a new PM coming in and a new finance secretary. It is a fair ask to look at these things in the round. So, yes—I give that commitment about PSP. I would be more than happy to correspond with the committee about the specifics of that information sharing, and I hope to convene that the information session that I mentioned probably the first week back from recess, which is when the UK Government's budget will be published.

Michael Marra: Thank you for that.

Pauline Stafford (Bathgate) (SNP): Good morning, Deputy First Minister. I draw members' attention to my entry in the register of members' interests: I am a sitting councillor in West Lothian Council.

My questions are about growing the tax base. Deputy First Minister, you mentioned that economic growth will be central to addressing the fiscal gap. The witnesses that we have heard from so far have all cited the importance of growing Scotland's tax base. However, there has not been consensus about how we should define and measure that. How does the Scottish Government assess whether Scotland's tax base is growing and what indicators do you use to measure that?

Jenny Gilruth: There are a variety of different indicators. I know that the committee took evidence from the SFC, which estimates that income tax will raise £21.5 billion in 2026-27. That is significant—it is over £1 billion more than in the previous financial year. The approach that we have taken to income tax helps to protect a majority of households while supporting investment in our public services—there will be debates about that in Parliament on Thursday, I am sure.

The Government's approach to progressive taxation is rooted in the idea of the social contract, which means that people in Scotland benefit from a variety of different services that they would not be able to access if they lived in other parts of the United Kingdom. Funded free prescriptions is an important flagship policy, but it would surprise the committee if I did not talk about other policies, such as funded free tuition, which is hugely important in terms of our economy, and free bus travel. Those are just some examples of how we fund the social contract with a progressive approach to taxation, which we think has been the right approach for the country.

We know that about 55 per cent of taxpayers in Scotland are paying less income tax in 2026-27 than they would pay if they lived elsewhere in the UK. We also know that our poorer households—those in the lower half of the income distribution—are better off than they would be under the UK's tax and social security policies.

All those things will be taken in the round in the budget negotiations, so I am listening to the committee today. You have heard me agree with a number of the challenges that committee members have put to me, so I am more than happy to reflect on your points in relation to the tax base more generally.

Pauline Stafford: Thanks for that overview. You have touched on the situation with regard to the immediate fiscal pressure, and have said that you are looking to see how we can grow our tax base in the medium term. We have heard from a number of witnesses over the past few weeks about the various priorities that we should bear in mind in that regard. I am interested in where the Government's priorities are, especially around the issue of people who are not in education, employment or training, and what action we might expect to see to address that over the long term. Also, is the approach more about increasing the number of people paying tax, or does it concern looking at higher earnings and medium-wage rises?

Jenny Gilruth: I think that our approach involves issues across the piece; I do not think that it should be narrowly determined. Although Mr Flynn will lead on the economic strategy, what he is able to drive in terms of economic growth will obviously impact me in terms of our tax base. The issue of the NEETs—or young people needing more choices and more chances, as we would call them now—is really important, and we must facilitate them into employment. The positive destination figures tell us a very positive story of more children and young people going on to positive destinations, whether that be work, training or employment.

That sustained economic growth has been very much part of our strategy as a Government. The situation is more challenging for young people just now. I will not go into the specifics on that, but the world in which they are growing up is much more volatile than that which existed when we were growing up, and that makes economic challenges much more present.

We have to have a broad-based approach to growing the economy. That has been set out through the economic strategy that Mr Flynn leads on, but that allows us to grow the tax base more generally. As the SFC has identified, we have had an increase of more than £1.2 billion in the past tax year just through income tax revenues, which is certainly welcome and allows the Government to do much more with regard to that social contract.

Pauline Stafford: That is great. My final question is about income tax within the fiscal framework. You have mentioned a few times the opportunities that are presented by the upcoming review of the fiscal framework.

Scotland can grow its income tax revenues, but it could still end up with a worsening position in relation to the block grant adjustment revenues if growth in other parts of the UK is faster. Is that a fundamental weakness in the fiscal framework? Is that something that you would look to change and review?

Jenny Gilruth: The fiscal framework is fundamentally flawed and is weighted to the south-east and to London, to the detriment not just of Scotland but of regions within England and of the devolved Governments across these islands. Figures for regions in England show us the economic challenge that is created by that. There are opportunities in the fiscal framework review to strengthen the approach that is being provided for at the current time, to equalise the situation and to recognise the different strengths that exist in all economies across the United Kingdom. We will all want to move forward on those opportunities.

The Convener: Liam Kerr has a supplementary question.

Liam Kerr: On income tax, the committee has heard that tax policies might result in behavioural change. We have also heard quite a lot about the importance of economic competitiveness, balanced with the revenue generation that Pauline Stafford was asking about.

A Scottish employee earning between £43,663 and £50,270 faces a combined marginal income tax and national insurance rate of 50 per cent, which is more than they would if they lived elsewhere in the UK. However, above £50,270, that falls to a marginal rate of 44 per cent. Does the Government consider that that 50 per cent marginal rate is a desirable feature of the current tax structure? What assessment has the Government made of any impact on overtime, additional hours and progression?

10:15

Jenny Gilruth: I have seen the evidence sessions that you have had on these topics, and I think that the issue has been rehearsed in the chamber as well. If we were to raise the higher-rate threshold to the level that it is in England, that would cost us more than £800 million in this financial year alone. However, we recognise the importance of the marginal tax rates in the design of the tax system. The Fraser of Allander Institute has published evidence on the idea of looking at the issue in a revenue-neutral way, which would ultimately require us to make significant increases to the basic and intermediate rates. This is not a niche issue that can be identified just on its own.

Ultimately, our broader position as a Government is that the full powers of income tax and national insurance contributions should be devolved to Scotland, so that we can take decisions in a more holistic way, which would allow us to ameliorate some of the challenges that Mr Kerr speaks to.

More generally, on the behavioural change point, having tested this with officials earlier on, I can say that some of the behavioural change aspects of the issue are difficult to quantify. It is difficult to measure things such as people choosing to change their behaviour by, for example, going down to four days a week. We have undertaken some work with His Majesty's Revenue and Customs on this, and I would be more than happy to share that with you. However, there is an issue around data lag, which Lucy O'Carroll may want to pick up.

Lucy O'Carroll (Scottish Government): The nature of the data reporting for income tax—the self-assessment forms and so forth—mean that there is a significant data lag, which affects our ability to look at income tax data for the current year and work through the behavioural-change effects. In addition to that, HMRC collects Scottish income tax for us, and it leads on that behavioural change analysis. The next publication of that work will involve the 2023-24 behavioural data evaluation, and we hope that that will be available soon. We also expect statistics on intra-UK migration of individuals during 2023-24 to be published during this calendar year. The 2024-25 data analysis is going to take longer. We expect it to be available late next year, because the outturn data became available only in July of this year. There are data lags, but we are absolutely on the case and will publish information as soon as we and HMRC can do so.

Liam Kerr: I am grateful for that response, and I recognise a lot of what the cabinet secretary has said. Given that—

The Convener: Very briefly.

Liam Kerr: I will be very brief. I was trying to be nice to the cabinet secretary.

You have done the assessment of how much it would cost the Scottish budget to make the change in that particular tax band. Are you modelling the behavioural impact of doing so?

Jenny Gilruth: The modelling is what Lucy O'Carroll spoke to, with regard to the wider work that we are undertaking with HMRC.

Liam Kerr: I mean going forward, rather than doing something retrospective.

Jenny Gilruth: Oh, going forward—absolutely. Of course, we want to look at these things in the round, and we will take decisions on these matters as we approach the budget. However, yes, we want to monitor those impacts.

I would just make the general point that it is quite difficult to quantify some aspects of behavioural change. This is a broader UK challenge; it is not just specific to Scotland. I was watching a video this morning on the *Financial Times* website that talked about the £100,000 gap, which concerns people across the UK choosing not to go over the £100,000 salary threshold because of taxation issues. There are behavioural shifts in all countries according to taxation systems; we are not unique in that regard. However, gathering data on it is quite challenging, because people choose to go into or not to go into various tax brackets for different reasons.

The modelling work is being undertaken with HMRC. There is an issue around the data lag, which presents us with challenges around some of our policy decisions, but we will use some of that work to help inform decision making around the budget. Obviously, we will happily engage with Mr Kerr and the committee on decisions that will be taken ahead of budget.

Kim Schmulian: Cabinet secretary, we heard from various witnesses that the only scope for growing the tax base involves school leavers who are currently not going into training or employment, and also people in their mid-50s who have been made redundant and do not have options for retraining to go into further employment. Have you considered implementing any preventative spend schemes that might have a positive impact, particularly on the younger age group but also on the mid-50s age group? I have written to you and your colleague Màiri McAllan about that, with particular reference to truancy rates in the 12-to-16 age group. Those young people who are involved in truancy are almost guaranteed not to go into further employment and training, but instead to go into crime, which will have an impact on the criminal justice system. Are there any preventative spend initiatives on the table to look at how we might get those people back into employment and paying tax in Scotland?

Jenny Gilruth: I have not seen the correspondence that has come to Ms McAllan and me but I am happy to look at it and to respond to those points in writing.

I will lean into the points that you made about young people. We must be careful about the language we use in talking about young people. I do not accept that all young people who are not attending school are therefore involved in criminal activity.

Kim Schmulian: I did not mean that at all, but there is a huge amount of data on that. One witness spoke at length about some research work that was undertaken by the Wise Group and would be helpful in that regard.

Jenny Gilruth: Our young people are facing lots of different issues just now. As colleagues know, I spent three years as education secretary. Many of our young folk—a generation—had their education

disrupted by the pandemic, and there are issues with mobile phones. However, I do not really want to have a big discussion specifically about education.

There are opportunities, through preventative spend, to grow the tax base by having younger people joining the economy and a variety of things are already happening in our schools to facilitate that work. For example, through the careers service, Skills Development Scotland is crucial in linking young people to apprenticeships. I saw that recently in my constituency and the approach to apprenticeships across the country gives a variety of opportunities for young people to move from education into the workforce while still retaining support from providers. The Government also made a manifesto commitment to increase the number of apprenticeships during this session of Parliament, which will help to strengthen those opportunities.

There is a broader approach to preventative spend. I think committee members are aware from an earlier evidence session that we are developing a preventative tool. We also have an approach to preventative tagging within the budget and I think that the committee is also familiar with that. Mr McKee is leading on some of that work, because if we can deliver on the preventative spend agenda we can deliver the savings that we need to make through PSR. There is an overlap between our PSR aspirations and our more general preventative approach.

Kim Schmulian: I think everyone in the committee would agree that we do not see the outcomes of a lot of the spend that you have talked about.

Jenny Gilruth: I would probably disagree with your point about outcomes. We have increased the number of young people going on to positive destinations. You will need to correct me if I am wrong, because it is a few months now since I worked on the education brief, but I think that the attainment gap narrowed by two thirds between 2008-9 and last year. That gap is narrowing and far more young people are now going on to positive destinations than was ever the case in 2008-9. I think that outcome is evidence of progress, because many of those young people would previously have left school with nothing to go on to. If we look at the positive destination data, we see that about 97 per cent of school leavers are going on to employment, training or work. That outcome is really important and is to be celebrated.

There will always be young people who are unable to do that, because of a variety of different individual circumstances. Their head teachers, parents and carers will know more about that than we do, but it is important to say that the trajectory of outcomes has actually been improving for almost 20 years.

Kim Schmulian: If things are as rosy as you say, why do we not see that translating into more tax receipts?

Jenny Gilruth: It is not a case of what I say: those are official statistics that I would be more than happy to share with the committee.

When you ask about challenges with the economy, are you talking about the working age population?

Kim Schmulian: I am talking about young people getting into jobs and paying tax.

Jenny Gilruth: I have a number of points to make about economic growth. Scotland's economy is strong. It grew by 1.4 per cent in the last financial year, when the UK economy grew by 1.3 per cent. We know that monthly pay in Scotland is higher than the UK average and that our claimant count rate is lower than across the UK. Those are important points to bear in mind. I know that there are current challenges regarding the broader economic outlook, but we should be careful not to make generalisations about our young people and the data actually shows that more of them are going on to positive destinations.

We do need to think about creative ways to support some young people. That was always my approach as education secretary and Ms McAllan is currently taking forward a really radical piece of reform. There will be opportunities through PSR to further strengthen some of that work, which takes me back to your point.

Kim Schmulian: I have been encouraged by the way that politicians from all parties have been talking about young people as a priority. They are having quite a hard time in the economy at the moment and their aspirations and what they can realise are quite different to the situation for their parents some decades ago. I am sure you will agree with me that we should always strive to make outcomes better.

Jenny Gilruth: Yes, absolutely—I do agree. On your broader point, it is indeed tough to be young just now. There are lots of different reasons why that is the case, including the housing market and the economic challenges that we have discussed. We need to reflect that, and our approach to the economy needs to better reflect that. I accept that challenge. Referring to your general point, there are approaches that we can take forward through reform that will help to improve outcomes.

The Convener: Time is marching on, and we still have a lot of questions to get through, so I ask committee members to be brief in their questions.

Cabinet secretary, if you can be succinct in your answers, that would be helpful.

Liam McArthur: Earlier, we discussed some of the issues that have arisen around the strategies and plans that have been put forward to date, with some questions about whether or not they are realistic in the aspirations that they set out. One area that has been identified in the fiscal sustainability delivery plan for addressing the fiscal gap concerns the size of the public sector workforce. A commitment was made on reductions over a four-year period. We now have evidence suggesting that, in the first 12 months, the head count has actually gone up and is now more than 5,000 ahead of the planned trajectory.

Do you accept that such examples undermine confidence and suggest that the strategies that the Government has in place to deliver efficiencies are off course and unrealistic?

Jenny Gilruth: I accept the first point: they are off course at the current time. It would be remiss of me not to say that, because the data tells us that.

Liam McArthur: Do you have a reason for that? In a sense, nobody would necessarily expect there to be linear progress over the four years. However, to start off by going up rather than down simply does not make any sense. Presumably, when that target was set, there was an understanding of what the expectations were.

Jenny Gilruth: Everybody is playing their part—and it is fair to say what you have said. The issue around some of the growth that we have seen is in the national health service, and that is challenging, for a variety of different reasons. As the committee knows, about half the Government's budget is devoted to the national health service. The growth that we have seen is in the national health service, across a range of health boards, and that is important for context—but it is not without challenge.

The fiscal sustainability delivery plan, to which you referred, was ambitious. It had a focus on reducing by 0.5 per cent per annum, on average, to 2029-30—taking us to a cumulative reduction of 2.5 per cent. I do not think that that cumulative reduction will be felt evenly across the public sector. That is fair to say because, for example, we need to invest in our national health service, as we all accept. We want to protect front-line workers. I had big debates with local authorities about teacher numbers in the previous session. We want to protect certain elements of our public sector, because we recognise that that is important.

The scale of the challenge is beyond doubt, and it would be remiss of me not to accept the challenge that Mr McArthur puts on those—

Liam McArthur: But none of those calculations or expectations seems to me to be any different to what they would have been 12 months ago or at the point when the fiscal sustainability delivery plan was prepared and published. It is difficult to understand why, rather than going down—even if it was not down as much as one might have hoped—the figure has actually gone in the opposite direction.

Jenny Gilruth: For some areas. If you drill into the data, you will find that there have been reductions across the piece at local authority level, for some. I was looking at the figures ahead of Cabinet yesterday. If you look at some local authorities, you will see there have been head-count reductions. It is not the case that a monolithic approach has been taken to growth across the piece.

It would be remiss of me not to mention that, in the Scottish Government, we have been able to reduce the core workforce by 12.7 per cent since March 2022. I accept that it had increased in the equivalent time period, so there was a requirement for us to shrink it, but it is important that we get our own house in order. The opportunity to drive some reductions is very present.

There is a broader point here about PSR. Some of the levers around workforce do not rest with the Scottish Government; they rest with other organisations. We can have aspirations to reduce the size of the public sector, but many of the levers will not sit with ministers but with local authorities, and some of the increases that we have seen in health boards, for example, are not directed by ministers. We need an understanding across the public sector about the collective endeavour and the need to shrink the size of the public purse.

I accept that the statistics are challenging, and that was discussed at Cabinet on Tuesday. There is a collective endeavour across Cabinet. The increases are largely being driven by health boards across the country, but there have been reductions in a number of local authorities and other areas of government, as I have just outlined, so it is not a monolithic picture.

I accept Mr McArthur's challenge, but we need to focus on the opportunity through reform. Ultimately, we have set out pretty radical proposals for health—moving to east and west boards for the delivery of our national health service. That would come with a real opportunity for efficiencies, so we will have to grasp the nettle on all those points. Mr McArthur is right to highlight the challenge—we are not going in the right direction at the current time.

10:30

Liam McArthur: It is probably worth observing that the views of the previous health secretary, Michael Matheson—about the efficiencies to be delivered through the move from 14 to two health boards—are less than a ringing endorsement.

Would you accept that the numbers having gone up—against an overall plan to reduce them over the four years—increases the risk that any reduction will lead to cuts in service delivery, which is a concern raised by a number of witnesses over recent weeks?

Jenny Gilruth: Yes, it absolutely does, which is exactly why we need to shrink that head count figure. You are absolutely correct to say that, Mr McArthur. However, we need to be careful about making generalisations, because although there has been growth in some sectors, there have been reductions in others. I gave you the example from the Scottish Government, but a number of local authorities have shrunk their total head count in the past financial year. Let us be careful about some of the narrative. There is growth in some areas around healthcare provision, and there may be good reason for that, so we need to drill into that data. I give Mr McArthur an absolute guarantee that this is at the forefront of engagements that Mr McKee and I will have ahead of the budget, because we are not going in the right direction currently and we need to reset some of that work.

We had broader discussions at Cabinet yesterday morning on all those areas, and every cabinet secretary has a role to play in that regard. I give Mr McArthur an assurance that we are in lockstep as a Cabinet on all of those issues. Of course, as we approach the budget, there will be another opportunity to revisit those figures. It is fair to comment on the availability of public services if head count is growing exponentially. That is exactly why, if we go back to the MTFS, a very clear expectation was set on shrinking the size of head count across our portfolio areas.

Michael Marra: How much do you intend to save from the PSR announcements that you have made in the past couple of weeks?

Jenny Gilruth: I do not think that Mr McKee has quantified a total amount. Did he appear in front of the committee last week? He and I spoke briefly about this yesterday, and I know that he was pushed on it.

Michael Marra: So the amount has not been quantified. Are there not up-front costs to change?

Jenny Gilruth: Yes, there will be a level of up-front costs. Earlier, Mr McCallum mentioned invest to save, so there are opportunities to deliver, but there will be efficiencies that present naturally through public service reform. We have spoken about the healthcare example. Local government reform is a real opportunity. There are currently 32 different approaches to many things, so there is a real opportunity for sharing services at a strategic level and, additionally, pushing power down to our communities.

Michael Marra: You have said that no new power is going to communities.

Jenny Gilruth: I have not said that.

Michael Marra: I thought that you were on the record as saying that. I am sorry if I am mistaken, but you said in a media interview last week that no power is going to be devolved from Parliament into local authorities. Is that not correct?

Jenny Gilruth: No.

Michael Marra: So you would like to see powers being devolved.

Jenny Gilruth: I am very supportive of the PM's agenda around further devolution.

Michael Marra: Excellent—that is great to hear.

Jenny Gilruth: However, I expect that a further devolution agenda will come with that additionality. The interesting thing about the Prime Minister, of course, is that he has been clear that his approach to engaging with the Scottish Government will be not to override the Scottish Parliament. We welcome that, and that is exactly why the debate yesterday was in a cross-party space. It was an open debate on local government reform to give us an opportunity to have that shared approach to how we drive the reform that we need in our communities.

Michael Marra: Liam McArthur has identified that you are off track, and you admit it.

Jenny Gilruth: We are not where we should be.

Michael Marra: You are off track in meeting the reductions in head count. In the short run, we think that there are up-front costs to the change in some of the PSR arrangements that you have announced, but you have a plan for the head count reduction to be delivered. In the absence of an MTFS or an update to the FSDP, it is difficult for the committee to assess whether the new interventions that you are making will increase costs rather than reduce them. Is that a fair assessment?

Jenny Gilruth: The whole point of the new PSR approaches is, ultimately, to save public money and improve services. There is an opportunity through PSR for us to deliver the savings that we quantify through the MTFS. If we go back to some of the approach that was set out in the MTFS around reforming public services, from which we think we can save £2.6 billion, our expectation

would be that PSR gives us the opportunity to drive the savings that we need, whether they be in local government or the healthcare sector.

Michael Marra: My last question in this area is about council tax. You have set out the picture of many new, smaller community councils in some regions. We do not have fixed numbers on any of that, and I understand that there would be negotiation. Who would levy local tax?

Jenny Gilruth: Again, the council tax approach that we have taken has been reliant on cross-party support. When it comes to the levying of council tax, I do not think that there will be movement, but I do not want to prejudge the outcome of a consultation. We are in a consultative period with the Convention of Scottish Local Authorities.

Michael Marra: There would be movement because, at the moment, you plan to abolish the existing councils. There would have to be movement somewhere.

Jenny Gilruth: Indeed.

Michael Marra: Would it be levied by both types of council? Would there be a local community tax and a regional community tax, or would there be a national community tax?

Jenny Gilruth: To give a direct answer on that would be to prejudge the outcome of the consultative period, so I am not sure that I can give you a direct answer. There are opportunities, through the consultation period, to listen and engage on those matters, and there are broader challenges of council tax reform about which we have spoken previously. I am very open to working across parties on reform. We have started some of that work already, on the mansion tax. That work is already under way.

My final point on this is that local government reform cannot just be a discussion between me, the parties and local government through COSLA. It has to engage the public. The public have very strong views on the issues.

Michael Marra: The Parliament voted in June for urgent discussions on council tax reform. However, given the most recent announcement about some form of reorganisation, are we putting that process on hold until after we have designed a new local government and taxation system for the whole country?

Jenny Gilruth: No, I do not think that it is on hold. It is part of the wider approach to local government reform. I do not think that those two things can necessarily be divorced—they are one and the same. Certainly, in our engagement with COSLA thus far, council tax has been raised in discussions with me and with Ivan McKee. I do not think that those things are detached from each other. They are part of the same consultative period, in which we are currently engaged.

Liam Kerr: Briefly, cabinet secretary, to go back to Liam McArthur's point about the head count, which is going in the wrong direction for the plans that the Government has set out, I am glad that that is being discussed at Cabinet level and that, presumably, those discussions are serious and are undertaken with a view to coming down on numbers.

Jenny Gilruth: I do not think that I am willing to tell you about Cabinet discussions, Mr Kerr.

Liam Kerr: I would not like to comment.

What additional reduction in head count is the Scottish Government planning to make, over the remaining four years of its plans, to get back on track? What head count is the Government targeting for the year 2027-28?

Jenny Gilruth: To clarify, Mr Kerr, do you mean, to counter the rise that there has been in the past year?

Liam Kerr: Exactly that.

Jenny Gilruth: We need to respond to that, but I am not going to give you a figure today. The situation has not changed in relation to the figures that were set out through the cumulative reduction of 2.5 per cent by 2029-30. However, we will need to revise and consider how we drive progress, because we are currently not going in the right direction. I accept that, from Liam McArthur's point. We need to reset some of our aspiration on that.

We know that reductions will not be felt evenly across the piece. Some of the movement is happening in our national health service. That, in itself, makes the case for wider reform.

Liam Kerr: When can we expect that response, given the challenges for us in assessing the budget plans?

Jenny Gilruth: I accept that. When the UK Government's budget is announced, I will have a very short window of time in which to come forward with the Scottish Government's budget.

I will take the matter away with officials and ask what information we can share with the committee. I also want to engage with Ivan McKee on the issue because, as Liam Kerr will understand, he is leading on the PSR agenda. I do not want to speak on his behalf, but I would be more than happy to come back to the committee. However, the broader point is that we need to reset some of our aspiration on the issue, because I accept that we are not going in the right direction.

Liam Kerr: I am grateful.

Pauline Stafford: I have a quick follow-up question on preventative spend. The witnesses from whom we have heard widely supported that objective, but it is generally felt not to be clearly reflected in spending decisions. The budget tracker tool and pilot were welcomed. How do you plan to extend that work through this budget and beyond, and how will that be communicated to the committee?

Jenny Gilruth: A range of work is under way on preventative spend, which involves the approach that we are taking to budget allocations. I cannot currently go into the detail of that because, of course, the budget allocation process will be informed by UK Government decisions. The approach to preventative tagging was led in the last budget, I think.

Richard McCallum: It is being worked on at the moment, actually, and will be reflected in the upcoming budget as well.

The Government allocates a fairly large amount of the budget to health—NHS boards—and local government, as, essentially, block funding, so we are working with local government and NHS colleagues to see how much of their budget is in that preventative space. That will apply across all other portfolios as well.

Pauline Stafford: That is great.

What can we truly tag as preventative spend? Is it clear that some budget lines are very obviously preventative spend? What are the greatest barriers to implementing that approach across portfolios? It is very difficult in one year.

Jenny Gilruth: Yes—the portfolios are many and varied.

With regard to how we quantify preventative spend, there are challenges with that. I would always argue that all education spend is preventative, but others might take a different view. We are developing a tool that will help with the tagging process, and that will help to inform the wider cross-Government approach.

It is challenging, because there are different portfolio budget lines across Government. In this budget, a number of portfolios will come together for the first time, which is interesting. We have a slimmed-down Cabinet and we have budget lines that have moved together for the first time, so I see an opportunity for us to better understand the preventative story between and across portfolios as a result of different areas merging.

A great example is the merging of culture and education. There is a music line in the budget—I think that it is for the youth music initiative, which comes from the culture budget but is delivered in an educational context. That is preventative spend, if we quantify it in a way that measures output. To go back to the point that Kim Schmulian made, the academic evidence suggests that, if you experience music at school, you are much more likely to go on and be resilient in life, and there are broader economic benefits to be gleaned from that.

How we tag and measure that is much more challenging, and the tool is our answer to that. I accept that it is tricky, particularly given the variety of portfolio areas, but we are doing our best to do that through the new budget approach, and we will set out some of that in the coming weeks. We are undertaking that work on a cross-portfolio basis just now.

Kim Schmulian: Will the preventative spend approach move significantly further up your agenda when you are able to balance a budget?

Jenny Gilruth: We always balance the budget, and we always have done—we are not able not to do that.

Kim Schmulian: I understand that—I am talking about not having a deficit. Sorry—I put that in the wrong way.

Jenny Gilruth: Yes, I suppose that, if there is more flexibility, there is more opportunity for prevention. Ultimately, we know that investing in prevention saves the public purse in the longer term, so I would say that, when the finances are in a healthier state than they currently are, given the economic outlook, it will become easier as the years go on and as we progress. However, we cannot sit still on prevention. We cannot see it simply as something that would be nice to have in future; we have to move now, because of the economic impacts. There will be opportunities in future, but that does not prevent us from moving now with the approach that we have taken to preventative spend.

Kim Schmulian: But it would be fair to say that it would be a growing objective for the Scottish Government.

Jenny Gilruth: Yes, I think that that is fair.

Alan Brown (Kilmarnock and Irvine Valley) (SNP): Good morning. I will return to the fiscal framework. At the start, the convener outlined the £720 million negative reconciliation for income tax, which actually exceeds the allowable borrowing limit in the fiscal reserve. I take it that that means, in effect, that the Scottish Government has to find an additional £100-odd million of in-year savings because of the cap on the reserve.

Jenny Gilruth: Yes, I think that that is broadly accurate.

Jennie Barugh: When the spending review was set in January, that was done using a funding

outlook based on the SFC's forecast as of January. That outlook has reduced by about £100 million because of the confirmation of that reconciliation. At the point when the SFC published the forecast in January, the forecast reconciliation was just under £0.5 billion, whereas now it is settled at about £780 million.

Jenny Gilruth: However, with regard to your overall point, Mr Brown, if you look at the evidence from the SFC—I made this point to the convener—you will see that there is volatility in the forecasting. There is movement and fluctuation, and there are errors in budget forecasting, whether it be from the SFC or the OBR. That makes it really challenging for us in Government, because of the uncertainty. A broader point around the fiscal framework review is how we ultimately resolve that. Given the uncertainty in-year, we do not want to be having to plug gaps that we could not account for because some of the forecasting was perhaps not where it should have been.

Alan Brown: I think that the allowable borrowing is £600-odd million. In round figures, that would be 1 per cent of the budget or something like that. The Scottish Government is not allowed to overspend by a penny, and the allowable margin through in-year borrowing is 1 per cent.

Jenny Gilruth: That is right. I was just reflecting with my officials that I think that local government in Scotland has greater borrowing powers than the Scottish Government, which is, when you think about it, not really how it should be.

Alan Brown: Do you expect that to be resolved in a more favourable manner as part of the review?

Jenny Gilruth: It depends, ultimately, on how the UK Government engages on those things. I will be fair and say that we had a positive meeting in Cardiff two weeks ago with the Chief Secretary to the Treasury—it was one of the most positive meetings that I have had with the UK Government, although the bar is relatively low. It was helpful—I think that the chief secretary recognises the challenges that we face, and we have, in Andy Burnham, a PM coming into post who supports further devolution, so we need to use this opportunity politically.

10:45

It is not just about Scotland; it is about the broader approach to how devolution works. There is an opportunity. We are working with the UK Government and with other devolved Governments on how we can improve the fiscal framework, and we have the review coming up in 2028—we have started some of that work already.

Alan Brown: Sticking with the fiscal reserve, there is a limit on the size of that. Am I correct in thinking that that works both ways, so the Government cannot, in effect, build up a surplus? If it outperforms—there may be in-year changes through the Barnett formula, or underspend—that should not, cumulatively, exceed the reserve at the end of the year.

Jenny Gilruth: Yes—if we did, it would be clawed back. That has happened, not during the time that the Scottish National Party has been in Government but previously, so we need to be careful about the in-year situation. It is very volatile regarding where we get to, and I think that the SFC fairly set out where that has taken us in recent years.

Alan Brown: If there are in-year Barnett changes, there is almost an incentive to spend that resource, because of the risk of clawback. In many ways, therefore, the cap does not allow for greater long-term budget planning.

Jenny Gilruth: Yes—if there is greater spending. I know from my experience as a cabinet secretary and as a minister that ministers always keep a watchful eye on decisions that are taken by the UK Government. If we think about it from a prudent financial strategy perspective, that is not great for taking a long-term approach if reactive changes happen in-year. I accept your general point about consequentials and what we can do with those things.

Alan Brown: That takes me on to ScotWind. We have heard evidence that the funding for ScotWind is, in effect, used as a reserve, as much because of the limitations on what the Scottish Government can do within the fiscal framework as anything else. Is that the reality—that ScotWind has to be there as a backstop because a reserve cannot be built up for future years?

Jenny Gilruth: Yes, it probably does currently work as a second reserve. It allows us to manage some of the volatility that you spoke to in making your point about reconciliation. Given our limited borrowing powers, it is another lever that we can pull. As the committee will know, the income from ScotWind sits with the Crown Estate, but it allows us to grow the revenues and to carry forward in a way that we are not able to do in-year with the same approach.

We have managed to grow over £900 million so far—that is to come to the public purse—and we have dipped into the fund only in 2022-23 thus far. We have been careful in-year to manage portfolios internally to allow us not to have to rely on ScotWind. However, as the committee will be aware, we are approaching a pretty challenging financial settlement, and our plans for the spending review look to rely on some element of ScotWind contribution.

Alan Brown: To go back to income tax collection and the way that the fiscal framework works, you are saying, in effect, that Scotland is measured against recovery rates in the south-east of England, which makes things much more difficult. We heard that the Welsh system is different. Do you want to see changes to that aspect as part of the review?

Jenny Gilruth: I think that, more generally, the economic approach is weighted to London and the south-east of England—I made that point earlier. However, there are opportunities in the fiscal framework review to think again. It is not just about Scotland, Wales and Northern Ireland—we have a PM in Andy Burnham who wants to empower the north-west of England, and I think that there are opportunities, through his agenda, to look again at how we can deliver growth in all our communities.

There will be politics in all that, but if we strip that back and think about the people whom we all serve, I think that there will be opportunities to move forward. The fiscal framework review gives us an opportunity to deliver on that, and to drive growth across the United Kingdom. Obviously, I am focused on driving growth in Scotland, but I think that there are wins for all parties through taking a different approach that allows economic prosperity to be better spread across the United Kingdom.

Alan Brown: Turning to capital spend, there are, again, strict limits on capital borrowing. There is a maximum of £3 billion, and around £450 million in any one year. Have those limits ever been uprated, even to allow for construction inflation? We know that construction inflation has been running way ahead of normal inflation.

Jenny Gilruth: I think that the limit is uprated by inflation annually, not by construction inflation.

Alan Brown: Looking ahead, the fact that construction inflation has been much higher than normal inflation for the past few years presumably puts further possible constraints on the budget.

Jenny Gilruth: Absolutely.

Alan Brown: When politicians demand that the A9 should be upgraded more quickly, or that the A96, the A75 or A77 should be upgraded, there are practical borrowing limits.

Jenny Gilruth: Yes. There was a big cut to the capital budget in 2022, when I was Minister for Transport, and that had an impact on a lot of projects, not least the A9. We had to slow down or pause a number of big capital projects, which was deeply challenging.

The capital constraints, much like the resource constraints, mean that the Scottish Government is pretty constrained. I think that you heard in evidence from the SFC about some of the constraints that we face. The real opportunity for us presents at the UK Government's budget, but we have such a constrained time period in which to take our budget to Parliament.

On your general point, there are opportunities through the fiscal framework review to reconsider the matter. The information-sharing point—which, in fairness, has been a theme of the committee's evidence session today—is one that I also want to take to the UK Government. There is an opportunity for greater information sharing between our Governments to help inform how we plan, how we build on sustainability and the longer-term approach that we take to the public finances across the board.

Alan Brown: Is there a risk here? The medium-term financial strategy outlined a potential capital budget gap. Is there a risk that that will increase, because of construction inflation and other pressures?

Jenny Gilruth: The real risk on capital just now is defence spend. We have built in some of our own calculations on defence spend, which my officials might have to hand. We have forecast some of the capital increases that we think will flow from increased defence spend, and that will not be without challenge. Of course, the proof will be in the pudding when it comes to the UK Government budget: we will find out in the coming weeks where we are on capital, but the defence spend is driving some of the challenge here, because it has come from departmental cuts, and that has a consequential impact on our budget in Scotland.

Alan Brown: You only find out on the day of the budget. You write to the Treasury and have some asks, but you only find out on the day of the budget.

Jenny Gilruth: As I understand it from officials, I get a five-minute phone call with the Chief Secretary to the Treasury on the day of the budget, in which very little detail is shared. As I understand it, there is nothing in advance of that at this time.

Jennie Barugh: It is possible that officials will share some sort of range with us ahead of the actual day. That sometimes happens. Obviously, they cannot do that until the UK budget is shaped up clearly enough and there is something useful to share. We will only find out on the day what the actual impact is.

Regarding the UK defence investment plan, there were announcements by the Treasury a few months ago about decisions that it had already taken to reprioritise within capital spending in the UK Government, so we have some information from that. However, decisions remain to be taken

on about half of that plan, and we will find out about those on budget day.

Jenny Gilruth: We think that our capital funding might reduce by £370 million in total over the four-year period, taking us to 2029-30. Those are estimates just now. We will of course find out on the day of the UK Government budget, but that is what we are planning for. It will be challenging.

Alan Brown: Can I ask one more question?

The Convener: We have about seven minutes left, and three other members want to ask questions, so the answer is no.

I will bring in Liam Kerr. Please make your question very brief, Mr Kerr, and specifically on ScotWind. I will then go to Pauline Stafford and Michael Marra.

Liam Kerr: Cabinet secretary, you were asked about ScotWind moneys. When the 2026-27 budget was published, the Government allocated around £50 million of that to support the resource budget. The Government said that, as the funding outlook evolved, the use of those funds for day-to-day spending would reduce.

Jenny Gilruth: Yes.

Liam Kerr: However, the autumn budget revision shows £79.5 million of ScotWind revenue supporting the resource budget. That is an increase of nearly £30 million in the space of eight months. What were the specific budget lines that required that additional £30 million of one-off revenue?

Jenny Gilruth: As I understand it, that was to fund the Opposition's asks about the budget. I might defer to Jennie Barugh on that, however, because it predates my time. I think that the agreement was arrived at by the previous Cabinet Secretary for Finance and Local Government, but I will bring in Jennie on the specifics of the additionality.

Jennie Barugh: I think that I am correct in saying that the £80 million that is included in the current year was the final position when the budget bill was passed. That amendment to bring in additional ScotWind funding was made during the passage of the bill—at stage 2, as the bill went through Parliament earlier this year.

Liam Kerr: I presume that the Government can identify where the extra £30 million has been spent. Can you provide that to the committee?

Jennie Barugh: Yes.

Jenny Gilruth: Yes. I think that it was all on budget asks around the budget deal.

Liam Kerr: That would be helpful—thank you.

Pauline Stafford: I have a final question on alternative funding models. You talked about the capital budget. The Scottish Government has indicated that it is developing a programme for bonds. I know that that is not about more borrowing; it is about better borrowing. Will you outline the benefits of using a bond programme for our borrowing? Are there any risks that are specifically important at this point? How central will that be to delivering a capital programme?

Jenny Gilruth: There are risks, and we need to be mindful of that. We will move ahead on the bonds work only if market conditions allow us to do so. Colleagues will be aware of some of the challenges on the bond markets just now, and we need to be mindful of that.

It is ultimately about diversifying our sources of borrowing. As you have set out, it is about borrowing better, not borrowing more. The committee took evidence from some people who suggested that the proposal would be more expensive, but that is not necessarily the approach that we would set out. If that was to be the case, I would have to take advice on the approach that we took. Let us be careful not to arrive at conclusions.

Bonds are a standard form of borrowing that Governments all over the world use. The approach allows us to establish a presence on the capital markets, and to increase investor interest in Scotland. We think that that is quite important. The cost and size of the programme is £1.5 billion over five years, and all proceeds from the bonds themselves will be used to support our capital spend. As Mr Brown has set out, capital spend is currently quite challenging.

I go back to the point about the volatility on the bond markets: we will move only if the market conditions are right to allow us to do so. We need to judge that carefully, because of the volatility that we have spoken about.

Michael Marra: On the same subject, would you consider interest-only borrowing to be a prudent way of managing Scottish Government capital investment?

Jenny Gilruth: Do you mean through the NLF—the national loans fund?

Michael Marra: Through the bonds.

Jenny Gilruth: Yes—the bonds offer us an opportunity to borrow in a different way. I go back to the point that I made to Ms Stafford about attracting inward investment. The bonds allow us to do that and to market Scotland in a way that traditional borrowing might not.

Michael Marra: Would the principal sum of the bonds be repaid at maturity, at the end of the five years, or would it be refinanced?

Jenny Gilruth: I do not think that I can comment on that, given market sensitivity.

Michael Marra: I do not think that that is market sensitive. There will be an assumption about the Government's longer-term fiscal position. The issue about how much bonds would cost when they are in the marketplace is a different consideration. I am asking about what the policy would be.

Jenny Gilruth: We would make the decision at the time. I do not want to prejudge the outcome of where we would get to in that regard.

Michael Marra: Okay. I understand that on one level.

Given that ratings agencies have been very clear so far that the ratings that they have offered are dependent on our remaining within the UK, what would happen to the bond in the event of independence, given that the First Minister has said that he wants a referendum by 2031?

Jenny Gilruth: We think that this would be an opportunity for an independent Scotland. You and I will not agree on that, but you are asking me to predict the future. If Mr Burnham gives the people of Scotland the right to choose their future, we will seize on that, and we will then move forward as a country.

Michael Marra: I will stick with the bond question, because it is important. When you try to issue bonds to the marketplace or to get a price for them, the markets will take into consideration whether we will be part of the UK or not.

Jenny Gilruth: That is right.

Michael Marra: The ratings agencies have said that we have to be part of the UK in order for them to honour the ratings. That is in the documents that Standard & Poor's and Moody's have produced.

Jenny Gilruth: I know.

Michael Marra: In the event of independence happening, would we have to repay the principal sum on that day?

Jenny Gilruth: That is an interesting point. In the event of independence, there are lots of unknowns around that, but I would not use that as a rationale—

Michael Marra: But you would know this, because it will be within the terms of the basis on which you issue the bonds. There is no way that somebody would take on the debt, or they would price that on the debt.

Jenny Gilruth: As you rightly say, two global agencies, Moody's and Standard & Poor's, have confirmed that Scotland is an attractive place to invest. You say that that is predicated on Scotland remaining in the United Kingdom, but I think that it is a good, strong starting point.

Michael Marra: But this is a technical question, rather than projecting forward to the referendum. If you are going to seek to issue bonds through the budget—you say that they will potentially play a significant role in the capital programme—those questions have to be answered, because the markets will be pricing the bonds on the basis of the ratings that have been issued. Can you come back to the committee to tell us the Government's policy position on how it will issue and price the bonds?

Jenny Gilruth: I am happy to come back to the committee on that point.

Michael Marra: Thank you.

The Convener: I will bring in Liam McArthur briefly.

Liam McArthur: This has largely been covered in Liam Kerr's questioning but, on the ScotWind point, concerns were raised about it effectively being a secondary reserve, as you have acknowledged, cabinet secretary.

Jenny Gilruth: Yes.

11:00

Liam McArthur: That involves using one-off funding to smooth budgets. The other risk is that that is freezing the funding for the investment in net zero, for which the fund is supposedly being accrued.

Jenny Gilruth: That is right.

Liam McArthur: Given that climate change is seen as one of the real risks in relation to the fiscal position in which we find ourselves, that lack of investment in net zero projects is clearly compounding that risk. Would you concur with that assessment?

Jenny Gilruth: Going back to the foundation of ScotWind, it was always designed to be a fund that helped to drive the innovation that we need for renewables. We do not want to be reliant on ScotWind as a second reserve—that is not where we want to get to. The current financial challenges are so great that we have had to dip in, for the reasons that I have set out to the committee, but the longer-term aspiration is about the growth of the wealth fund.

The committee might be aware that we are considering an initial options phase on that. It is expected after the budget—into the new year—but I am more than happy to write to the committee on the development of that. We want to protect that budget for the next generations, referring to the investment prospect that Mr McArthur rightly

identifies. We need to grow our renewables and, going back to the origins of the ScotWind approach, that is exactly what it was designed to deliver on.

The Convener: I thank the cabinet secretary and her officials for attending.

11:01

Meeting suspended.

11:08

On resuming—

Public Office (Accountability) Bill

The Convener: Our next agenda item is taking evidence on the duty of candour provisions in the supplementary legislative consent memorandum on the Public Office (Accountability) Bill, which is United Kingdom legislation.

I welcome our witnesses: Carolyn Low, finance director at Public Services Delivery Scotland; and John Sturrock KC, of Core Solutions Group Ltd. Before we begin, I remind our witnesses that they do not need to turn on their microphones, as those will be operated by our broadcasting colleagues. If you want to come in during a discussion, please just raise your hand or indicate to the clerks.

We will move straight to questions. Will you outline for the committee what difference the proposed legislation will make to strengthening accountability in Scotland's public services?

Carolyn Low (Public Services Delivery Scotland): In my view, the proposed legislation presents a real opportunity to change culture in the public services, and we welcome that opportunity. That should absolutely be championed in Scotland.

The duty of candour that applies in our health services currently applies only for patients and their families, but it requires the holding of open and honest conversations where harm has occurred. The bill compels authorities to be proactive when there is an incident—not to wait until there has been a call to give evidence at an inquiry or any other investigation, but instead to consider how they might have contributed to the incident.

The bill builds on what we are trying to do in our health services, and should aspire to do throughout public services, which is to bring about a culture that is psychologically safe and encourages people to speak up. This week is speak up week, during which we are encouraging people who see harm or events that are of concern to draw attention to them without fear or favour. That is a really important principle. However, when such events have happened and we have to conduct an investigation, we also have to be open and honest in our evidence before inquiries. That strengthens the intent around culture.

I welcome the bill's provisions, but it is important to consider how the underlying systems and processes in public bodies support them. Therefore, we need to consider how information is gathered, held and retained. Are we able to flag instances where we suspect that sufficient harm or

wrongdoing has taken place that an event further down the line could require us to give evidence to an inquiry? It is important that we can retain such information in the longer term.

Notwithstanding that, we should be tackling such incidents as they occur and should be open, honest and up front with those involved so that our citizens can understand what has gone wrong and what we are going to do about it. Ultimately, that will enhance our culture and drive culture change. We should embrace that, particularly in the context of public sector reform and how we set expectations for our public service in future.

John Sturrock KC (Core Solutions Group Ltd): Thank you for the opportunity to give evidence on such an important matter. I concur with everything that Carolyn Low has said, although I would take a step back and consider what has led to the bill and identify the concerns that such a bill could address. The symptoms that we see culturally are unwillingness to speak up, fear of damage or detriment if people do speak up, defensiveness and protection.

Interestingly enough, in *The Herald* a couple of weeks ago, there were two articles about the NHS, one of which referred to Iain Kennedy, the former chair of the British Medical Association, talking about what he described as the tendency to put reputation before patient safety. The next day, Karen Titchener, the Patient Safety Commissioner for Scotland, talked about a "nothing to see here" culture. There is something here for all of us in Scotland to consider. In my experience and observation, running through the public sector generally there is a sense of defensiveness, perhaps of fear, and a worry about being blamed, shamed, gaslit and so forth. The bill gives us an opportunity to address all that.

I suggest to the committee that, just as Carolyn Low said, this is really about culture change. It is all very well having something written down in legislation, and even passing a new bill and turning it into an act, but quite deliberate steps will be required by those who are charged with taking forward culture change. That applies to the Scottish Government and other public sector bodies, and perhaps would, could and should lead to a much better culture of openness and candour. However, that will require leadership from the top. Although I do not want to draw, in any political sense, on what the Prime Minister said yesterday, it also applies to members of the Scottish Parliament, because, so often, politics is about point scoring, grandstanding, perpetuating a blame culture and making criticism for criticism's sake.

11:15

Carolyn Low talked about a speak-up culture. If this is going to work, people must be able genuinely, candidly, frankly and openly to talk about things that have gone wrong, or are going wrong. Even here, the culture must change, so we need a top-down approach, too.

Carolyn also made a point about public service reform. This morning's discussion with the previous panel was about pre-budget scrutiny. I submitted a paper to the committee on that topic, in which I said that much could be achieved by preventing adverse events from occurring through the early identification of disputes and the use of good negotiation and mediation techniques, which is my field of work. I see the possibility of the general approach that we use here changing from a defensive one towards public spending to a far more preventative one where problems are identified and lessons are learned early, where people can talk about what has not worked as well as what has worked, and where we can all move forward in a far more learning-based context.

I say again to you all that that would require a shift in the way in which you all approach politics and the way in which we approach public service delivery in general.

Michael Marra: Is it possible that the introduction of the legislation might prevent the need for public inquiries?

Carolyn Low: I think that is the ultimate aim. If there is a culture of openness and transparency, there are no questions to answer.

The issue is that public inquiries often happen long after the event, which is difficult for all involved. Those who participate have to relive events that happened many years previously and so also have to revisit the harm that they experienced, but we should be trying to prevent that at all costs.

Michael Marra: Is there a possibility of an increase in litigation? Some people believe that, if culture change does not happen, cases might be taken against public bodies or the individuals within them who have not met the duty of candour.

Carolyn Low: I am now seeing an increase in litigation in the health area. That is often seen as the only recourse, but I believe that what people are actually looking for is an understanding of what went wrong and a guarantee that it will not happen again. If they do not get that information their other route is to raise a claim, and we are seeing evidence that the number of claims is rising. That has become a culture. We need to cut through all that and recognise that we are talking about people who have been harmed by a public service. We must ensure that, on principle, that does not

happen, while recognising that, if it does, we must treat people well.

Michael Marra: I will bring in Mr Sturrock. Given that the duty will exist, would that enable different forms of public inquiry? During the previous session of Parliament, this committee heard evidence that there was a tendency towards a gold standard of statutory powers, with evidence being given under oath in front of a judge. There was a question about whether different models might be possible. If the provision we are talking about today were to be in place, would that open up different models of inquiry that might be less adversarial or cheaper or that might make it easier to deliver justice?

John Sturrock: One would certainly hope that that would be one of the possible benefits, subject to your earlier point about the possible risk that things would not be followed through and that litigation would therefore occur.

The earlier and more open availability of evidence should make even normal public inquiries more effective and, one would hope, less adversarial, so that should be a goal even for statutory public inquiries. I previously gave evidence to the committee about my experience of carrying out the NHS Highland review, which took a much less formal, non-statutory approach.

In that context, people were able to provide me with information that I regarded as being candid, frank, honest and open. It was an example of a more informal and less structured approach to inquiry. Earlier, greater and more open availability of information could, and perhaps should, enable such an approach to be taken.

Michael Marra: You mentioned a “nothing to see here” culture in public bodies and public services. Yesterday, I was looking at some of the Eljamel inquiry evidence, in which somebody at NHS Tayside had plotted a graph of the number of complaints that have come in versus media events. It is a clear attempt to construct a “nothing to see here” narrative. That was done at corporate level, and that information was presented to Lord Weir yesterday. The kind of culture that we see coming through the Eljamel inquiry is endemic across public services in Scotland, is it not, with people in the defensive mode that you are describing?

John Sturrock: I will defer to Carolyn on the detail of Eljamel. I regret to say that I fear that you are correct, but it is really important for us to understand why that is the case. It is so easy to blame people for such a culture existing. However, it exists because of the way in which we go about things, with an expectation that there will always be somebody to be found at fault for something. There is a failure to see public inquiries as an opportunity to learn what happened, what did not work, what could have been done differently and how things could be improved in the future. The focus is much more on attack and defence. We discussed last time the adversarial nature of public inquiries and the extent of lawyering in those inquiries, which, as we were discussing before we came into the room, simply reinforces the adversarial and litigious approach. If the bill were applied, adhered to and followed through, it could change all that.

Michael Marra: Ms Low, on that evidence to the Eljamel inquiry, it is not a question of individuals; it is down to corporate culture, in which they are producing documents to create a narrative and gaslight the public through a corporate policy. Do you believe that that is endemic, as Mr Sturrock does?

Carolyn Low: I would like to believe that we have moved on quite a bit from that, and the reason that I give—

Michael Marra: I am sorry, Ms Low. The graph was produced very recently and tabled in evidence. I do not think that we have moved on at all. That astonishes me. How do you think that we have moved on?

Carolyn Low: I believe that there is almost a culture of defensiveness when it comes to what is disclosed and what is not disclosed. At Public Services Delivery Scotland, we are working hard to change that, which you can see in how we deal with the press and press inquiries and how we respond to freedom of information requests. The number of FOIs that we have had in recent years has increased significantly, and we are quite proud of how we respond to those in a timely way and as openly as possible. That culture needs to extend across health and the public sector more widely.

Michael Marra: Part of your job is already to deliver against culture change. What would you say to the people at NHS Tayside who ordered the production of a graph—and those who produced it—that indicates that people made up complaints because they saw it on the telly? That is happening now. We see it at Queen Elizabeth university hospital, as well. Do you have evidence that the culture has changed?

Carolyn Low: I cannot comment directly on what is happening in Tayside or Glasgow. It would be wrong of me to do that. However, if that is the type of practice that exists, it definitely needs to change.

I can talk personally about what we are doing at PSD Scotland. We are taking a more transparent approach. We have had in-house sessions with the Scottish Information Commissioner to provide learning across our organisation so that everyone

who deals with inquiries from the press and responds to FOIs is supported. How do we do that in a transparent way? These things have to be done with intent, and it has to happen across the system.

It would be wrong of me to ignore what is playing out in the inquiry. I cannot comment directly on it, but that is exactly the culture that needs to change.

Michael Marra: The Scottish Information Commissioner has also reported on NHS Tayside's atrocious record of responding to freedom of information requests. That is absolutely appalling, and this is part of that broader culture.

Carolyn Low: It is. We need to be honest about that and say that it is not acceptable and that our citizens do not expect that. Being more transparent and open, particularly when things go wrong, goes to the heart of the purpose of the legislation.

It is about culture, and it must start at the top. It must start by accepting that that is not the way we should work. I know that we have done that in our organisation. We are proactively taking steps on that. I am responsible for the central legal office, and we are working with it to be more open in terms of the public inquiries because of the work that it does.

It is a balancing act in that environment, because we have to balance legal privilege with what we can say. However, we have to remember that we are public servants and we work for citizens. It is our responsibility to be as transparent as possible.

All we can do is look at what has happened and what is playing out in public inquiries and reflect on whether that is good enough—and it is not good enough. As leaders in public service, we need to accept that, make changes and drive that culture.

As John Sturrock said, a system-wide effort needs to be made. The legislation will help, but if we have to use the ultimate sanction that is proposed in the legislation, we have lost, have we not? It cannot be about carrots and sticks and punishing people; we need to encourage people to be transparent.

Michael Marra: All that is entirely fair. Is the legislation, which the Parliament will be considering as the legislative consent motion, sufficient? Should we be going further as a Parliament to achieve, in legal terms, the objectives that I think you both share in respect of that culture shift? Could we do more things in law, or do you think that the legislation is sufficient?

Carolyn Low: My view is that you cannot drive culture change with legislation. It is about people and behaviours and encouraging people to do the right thing.

Michael Marra: The Government has been trying to do exactly that for 20 years. I tend to agree with you, but do you think that the legislation goes far enough?

John Sturrock: I share that view. I do not know whether members of the committee are familiar with the Apologies (Scotland) Act 2016. Margaret Mitchell introduced it as a private member's bill a few years ago. Very few people have heard of it, and it is arguable that the Apologies (Scotland) Act 2016 is not actually being used as it could have been. Legislation can go so far in setting a framework and perhaps some broad expectations, but I completely agree with Carolyn Low that the issue is about how public sector leaders, public bodies and others implement that in practice culturally.

Kim Schmulian: Mr Sturrock, you and I both know that the characteristics displayed by candour are not evidenced in certain people. Do you think that that will present a particular challenge for the committee chair in relation to their responsibility to draw things out in the course of any inquiry?

John Sturrock: That is a difficult question to answer. People are generally prepared to be more candid than you might think. I might even challenge the assumption that a number of people tend not to be candid. Let us be careful about that. It is about how we go about those things.

As to whether a chair can enable or encourage candour, that is down to the skills of the chair. The legislation perhaps makes it more of a requirement that people are candid. There would be a greater understanding in the conduct of Scottish public sector life that candour is something that is expected, and so it therefore becomes more culturally acceptable. There will always be people who will be less candid, for a range of reasons.

If I understand your question correctly, I would say yes, there will be occasions when chairs will have to be skilful to draw out more candid observations. In the context of this discussion, I think that this legislation could—and again should—make that more part of the accepted norms.

I do not know whether that answers your question or not.

11:30

Kim Schmulian: Given what is in the legislation, chairs of public inquiries are going to face more challenges if candour does not come easily and the chair has to use their powers to draw certain things out.

John Sturrock: Well, the legislation will provide the chair with more powers to do just that. That

ought, in theory, to make things not necessarily easy, but easier than they are at present, given the framework that it seeks to set out of new norms to which people are expected to adhere.

Kim Schmulian: The public has, rightly, been concerned about the costs of public inquiries in recent times. According to what I have read in respect of the bill, given the powers that the chair will have, they might be able to pursue certain things and get to the bottom of things faster. Is that going to make a significant difference to costs at the end of the day? For example, I know that changes are proposed in respect of legal representation by family advocates. What do you think?

John Sturrock: I think that the key word in this piece of legislation is "expeditiously". I asked myself yesterday what difference that will make, because although people might fulfil the obligations that are set out, they might take time to do so. However, that word "expeditiously" is there, as is, I think, the phrase

"as soon as reasonably practicable".

It will give chairs the opportunity to speed things up if public authorities and public officials are charged with producing this evidence and data quickly, which, after all, is what "expeditiously" means.

To answer your question more directly, then, I think that the legislation should mean that public inquiries can be conducted more quickly and can get to the root of things more expeditiously and, therefore, costs should be reduced.

Perhaps another element that we have only touched on is the whole nature of adversarialism in public inquiries and the extensive use of legal representation. It is just possible that, with the requirement to disclose information without favour—that is, without taking account of the interests of the official or the authority in question—there will be a more open disclosure of information and, therefore, less need for, and less tendency to have, a defensive adversarial approach.

Interestingly, there is one little provision in the bill that, I think, would not apply to Scottish inquiries, and that is to do with parity of arms. The bill says that legal representation should be engaged only if it is "necessary and proportionate". As I read it—and your team will tell you whether this is correct—that will apply only to inquiries that are established by UK ministers. That seems to me to be a helpful section of the bill that you might consider could be applied in Scotland, too.

Kim Schmulian: Do you think that, in the fullness of time, we might not even require advocate-level representation for families? Do you think that solicitors could be used instead of advocates to keep costs down?

John Sturrock: That is always a choice. I will have to be careful, because I might sound as though I am defending my own branch of the profession, which I left 25 years ago.

Kim Schmulian: I was cautious about asking you that question.

John Sturrock: As I have said, I have not practised law for 25 years, so I have no axe to grind at all.

As you, too, will know, there are occasions where it is helpful and appropriate for families and others to have the representation of an advocate. That might or might not be more expensive, but it might be more efficient and effective.

I would not want to see this as a binary thing: it might be possible to reduce overall legal representation costs, whether or not we are talking about counsel or solicitor, or counsel and solicitors. I would have thought that that sort of thing should be actively encouraged. There is almost—and I use the expression carefully—a legal-industrial complex around these formats. I said as much to Michelle Thomson the last time that I was here, but I do not think that that is something that suggests malice or ill will on the part of the legal profession—it is just the way the system works.

That brings me back to Mr Marra's earlier question. That has happened, because statutory public inquiries have become so formalised and legalistic, whereas the less formal and more relaxed approach, such as that which I was privileged to conduct in the NHS Highland review, takes a lot of that away and, paradoxically, gains more information, because of the greater candour that might be achieved.

There are many different aspects to this, and we should be careful not to fall into any yes/no, right/wrong binary approaches. Complexity and variability need to be considered.

Kim Schmulian: I have one more question. In the legislation there will be an opportunity for departmental review after between three and five years. I presume that you think that that will be a positive thing.

John Sturrock: I am not sure that I was aware of that. I must have missed it. Any review or post-legislative scrutiny has to be a good thing—the more of that, the better.

Kim Schmulian: I agree.

Liam McArthur: I start with the point about review—as a Parliament, we need to get better at doing that. I was struck by Ms Low's comments

about expectations. Although I certainly support the principles of the legislation, it will be important to manage expectations. I well remember the introduction of the Freedom of Information (Scotland) Act 2002 and how we were told that it was going to drive a culture of openness and of public bodies proactively putting out information. All that we have seen has been an exponential rise in the number of FOI requests and, then, complaints to the Information Commissioner.

I would love to share your optimism about the cultural shift that this bill will lead to. Do you have share my misgivings that, if we are not careful, the public's expectations of what the bill will achieve will not match the reality? That is not to say that passing it is not the right thing to do—however, we could be setting the bill up to fail if it serves a purpose but falls short of what people expect it to be able to do.

Carolyn Low: I agree with that point. For me, there would always be a time delay. Whatever we in a public body do to respond to the act, it will need to improve our systems, processes and ways of working so that we are prepared to provide timely evidence and respond positively and with candour to any investigation—which may happen three or five years down the line. It is an opportunity to grasp the potential that the change provides to sort the issues out today, because we need to be better than we are today.

The issue is about the conduct of public officials in the course of a public inquiry—but we have got to get to that stage. I would like to think that we can avoid having so many public inquiries, although there will always be situations that need them. For example, in the case of the Covid inquiry, there was always going to be a public inquiry on such a monumental event that impacted on everybody's lives. From day 1, when we as an organisation stood up to do what we were asked to do in response to Covid, we were conscious that there would be a public inquiry and that we would have to make sure that we had all the information we needed to be transparent and to respond properly. It still took our central team a long time to capture everything, because of the complexity of our organisation.

The issue is about what a major public inquiry means for the way in which a public body has to manage its affairs. We have to get that right. The bill will cut through how we work: as well as driving culture, it needs to shape the way in which we keep and are able to access records. It should affect the proper management of issues such as document retention and records being flagged when we think that there is a potential risk of their being investigated further down the line. When that happens, it goes beyond normal document retention needs and we need to flag it and stop the normal process. Currently, we do not have that maturity in record keeping, but we will need to have it.

It is right to have the intention to make it quicker to provide evidence, make the evidence more transparent and have a duty to be proactive in sharing relevant information. That should drive practice and improvements today, which is what we in the public service need and our citizens expect.

We must be careful that we do not make this into an industry and that we do not shift the cost of the public inquiry into the cost and burden of administration in public service, which is why I referred to public sector reform earlier. It is also about how we design our new organisations in order to do this properly. What governance arrangements will be put in place so that we are thinking first about being open and transparent with our service users? That will drive the cultural change. The UK legislation triggers all that and has to be welcomed.

John Sturrock: I will make a quick addition to that. Research—certainly in the context of medical claims, but I suspect that it is more generally applicable—suggests that what people want when an adverse event occurs is acknowledgement that it happened; perhaps an apology, if that is appropriate; recognition of the impact that it has had on them and on others; reassurance that it will not happen again or that the problem has been addressed and that something has been done about it; and an explanation of what occurred. It is the absence of those things, particularly the lack of information, that often leads us into the territory of requiring these expensive, time consuming and often quite unproductive public inquiries.

The legislation does exactly what Carolyn Low says: it turns that on its head and presents public officials and public authorities in Scotland with the opportunity—indeed, the obligation—to provide that information candidly, frankly, openly, early and expeditiously, if the cultural change occurs to enable and allow that to happen.

Liam McArthur: I, too, was going to mention the Apologies (Scotland) Act 2016, because the intent behind that was to offer an opportunity to apologise and, I think, to provide a more empathetic response rather than circling the wagons.

I have been struck by what you said about the culture of fault-finding and the more litigious and adversarial approach. You spoke about individuals being far more aware of their rights. That, combined with those other factors, makes it hard to see how there will not still be a temptation to circle the wagons in that environment.

How do you see the provisions of the legislation encouraging a move away from what, in some instances, may feel like a natural human response for some individuals? That is not to justify the behaviour at a corporate level that Mr Marra was quite rightly amplifying and condemning earlier, but rather to consider the position at an individual level, where there may be contested facts around a particular situation.

John Sturrock: There may always be contested facts around a particular situation. It is a perfectly healthy democracy and system that allows those facts to be presented, addressed then debated. The concern is when that defaults into an adversarial, litigious, defensive and aggressive posture.

Although that may be—I think that you used an expression along these lines—a natural tendency, human history, evolution and biology suggest that most people just want to work things out, find an answer, find a response and move forward. However, we have this system, which is represented in the litigation system and in the public inquiry system, in which the default is to claim, counterclaim, attack, and defend. That then almost becomes the behaviour, culturally, that we expect.

The legislation gives us the opportunity in Scotland to rise above that, to change, and to try, at least, to recover the territory where we operate more co-operatively and constructively with each other for most, not necessarily all, events that occur, and at least give that approach an opportunity.

However, I go back to my previous point about the research, which shows that most people want acknowledgement, reassurance and an explanation. Actually, making a claim for damages falls very far down the list of what people's wants and needs generally are.

Liam McArthur: I entirely accept that. In a more digital age where we immediately go into written correspondence, is there a risk that people will be more guarded about what they set down than they might be in a face-to-face meeting, where there is an opportunity to have a more interactive and personalised approach to eliciting and responding to concerns? Is there now less capacity for that face-to-face engagement? Is there too much written correspondence that is more formal in its approach and therefore, perhaps, less sympathetic or empathetic?

11:45

John Sturrock: People can do all this stuff in writing if they have the skills and competence to do so. I regularly train people in what I call better conversations and better outcomes, and we apply the same ideas to oral communication as we do to written communication. People can deal with the possibility that written communications are more formal and therefore, possibly, carry that extra risk by thinking about what they are writing and by gaining the skills and competence to communicate effectively.

Face-to-face meetings are helpful. One of the problems with our culture is not so much the default to writing, but the default to online meetings. I often use the expression "room, not Zoom". So many public sector meetings now are held online, and my understanding is that that is often to the detriment of effective decision making. There is a discussion to be had about whether such things can be done more effectively in person. However, the general idea—of candour, frankness, openness and transparency—applies to any form of communication. People just need to think about it.

Pauline Stafford: We have talked a lot about culture change. The bill represents an opportunity to recalibrate the relationship between state and citizen, but that goes two ways. We have talked about procedures and culture change within organisations but, with regard to public attitudes, is any public education needed in order to achieve the bill's aims? What will the test of the bill's success be?

Carolyn Low: Guidance always underpins legislation, and it is key that guidance is provided not only to public bodies but to citizens to explain to them what the legislation means to them, what additional rights it gives them and what they should expect from the public service. Being absolutely explicit about that would be really helpful.

We should also do the same on the other side so that we are absolutely clear about expectations. At the end of the day, the bill tells public service bodies and public servants across the system, "This is how we expect you to behave when you engage with citizens—we expect you to be transparent". If we are explicit about that, there can be no dispute and no blurring of the lines. That will set the tone and help to drive the culture.

Underpinning guidance is always helpful for everybody concerned, but it will also be helpful to ensure that we have that lens from the citizen perspective.

John Sturrock: On Pauline Stafford's second question, the test will be whether we have fewer inquiries such as those on Eljamel or Hillsborough or hospital inquiries with evidence being produced late.

In addition, a particular test will be whether public money is saved. When I gave evidence to the previous committee, Michael Marra put

forward the proposition that £230 million is a lot of money to spend on public inquiries, and my response was:

> "You could build a ferry for that."—[*Official Report, Finance and Public Administration Committee*, 17 June 2025; c 32.]

We are looking to have fewer occasions where such amounts are spent on public inquiries, and also fewer situations like the CalMac ferry situation. If the bill's provisions had been in place and implemented, the public purse could well have saved, let us say, a couple of hundred million pounds on the ferries.

Pauline Stafford: Given that a lot of our public services are outsourced to private contractors, is there a risk that less scrupulous people will try to circumvent the duties in the bill, or do you think that it will be easy to embed them where services are outsourced?

Carolyn Low: We will need to look carefully at existing contracts to see how we will ensure compliance. There might be a requirement to consider mechanisms for that, but it is quite straightforward to embed that in the requirements so as to ensure that there is general compliance. Compliance with legislation is generally built into contracts anyway, so it should be fine.

The important thing to consider is what this will do to the price, particularly given that the bill's provisions extend to health and safety obligations. A lot of what we do on health and safety is outsourced. Ultimately, there will be a consideration of risk. We will need to test that and see what will happen, but it is the right thing to do.

There is the public sector and there are public services. Our wider private sector partners who work with us to deliver public services need to be part of the overall duty, so it is absolutely appropriate that they are included. We need to think about the practicalities of that, but I am assured by my procurement colleagues that it can be managed.

The Convener: I thank Mr Sturrock and Ms Low for their evidence. I am sure that the committee has found it helpful.

That concludes the public part of our meeting. The committee's next meeting will be on Wednesday 7 October.

11:51

Meeting continued in private until 12:13.

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