

Public Audit Committee  
Wednesday 17 December 2025  
34th Meeting, 2025 (Session 6)

## The 2024/25 audit of the Scottish Government Consolidated Accounts

### Introduction

1. At its meeting today, the Public Audit Committee will take evidence from the Auditor General for Scotland (AGS) and Audit Scotland on the section 22 report, The 2024/25 audit of the Scottish Government Consolidated Accounts, which was published on 30 October 2025.
2. The AGS has prepared a briefing paper on the key messages and recommendations from the report, which can be found at **Annexe A**. A copy of the report can be found at **Annexe B**.
3. The Committee will decide any further action it wishes to take following the evidence session today.

Clerks to the Committee  
December 2025

### Annexe A: Briefing Paper by the Auditor General for Scotland

1. The Auditor General's report on the 2024/25 audit of the Scottish Government Consolidated Accounts was laid in the Parliament on 30 October 2025. The report is made under section 22 of the Public Finance and Accountability (Scotland) Act 2000. The Consolidated Accounts are a key component of the Scottish Government's accountability to the Scottish Parliament and the public. The report is presented to support the Parliament's scrutiny of public finances in Scotland. The audit opinion on the 2024/25 Consolidated Accounts is unmodified.
2. The Scottish Government's Consolidated Accounts for 2024/25 show that total net expenditure during 2024/25 was £56.3 billion, £1 billion less than budget. The Scotland Reserve enables underspends to be carried forward for use in future years. The resource budget was underspent by £875 million (1.6 per cent) against a budget of £54.8 billion. Capital was underspent by £134 million

(5.3 per cent) against a budget of £2.5 billion. The Scottish Government has reported the reasons for significant variances in the Consolidated Accounts.

3. The Scottish Government did not need to apply all the additional measures announced in September 2024 to achieve a balanced outturn, as Barnett consequential of almost £2.2 billion were received during the year due to an increase in UK Government spending. The announced measure to utilise all the available ScotWind revenue of £460 million was not required.
4. There remain significant pressures for 2025/26 with the achievement of a balanced financial outturn not yet certain. Many of the actions being taken are short-term and do not support the fiscal sustainability of the Scottish public sector. Although additional transparency on the medium-term financial position has been provided by the publication of key documents, including the Medium-Term Financial Strategy and Fiscal Sustainability Delivery Plan, more detailed delivery plans are required. These must result in changes to the design and delivery of public services, including moving to an affordable public service workforce.
5. In recent years, the Scottish Government has taken a direct role in providing financial support to private companies. These interventions have had a significant financial consequence for the Scottish Government, and continue to require investment and ongoing management, including the activity to complete MV Glen Rosa.
6. The Oracle Cloud system was implemented in October 2024 at a total cost of £59.5 million, up from an initial estimate of £22 million. Continued focus will be needed to realise the anticipated benefits from Oracle Cloud and demonstrate value for money from the investment in the new system.
7. During 2025 the Public Bodies Sponsorship Unit completed a full review of progress against the recommendations of the Ryan Review to ensure that the action initially taken remained appropriate. This review has identified areas for further action that are now being implemented. These must strike the right balance between oversight and assurance, and the responsibilities of appointed Accountable Officers.
8. The Scottish Government has well established assurance arrangements, but the Director-General portfolio structure presents some challenges when tackling issues that impact across government. This needs to remain an area of focus to ensure resources are targeted at priority areas.
9. The complicated landscape of priorities makes it difficult to measure the achievement of outcomes. The work to revise the National Performance Framework is still being progressed and as a result the Scottish Government

cannot clearly demonstrate that public spending is delivering the intended outcomes.

10. The Annual Audit Report has been fully agreed with the Scottish Government and includes an agreed action plan with responses. The report is available to the Committee and has been provided for their interest.

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The 2024/25 audit of the

# Scottish Government Consolidated Accounts



AUDITOR GENERAL 

Prepared for the Public Audit Committee by the Auditor General for Scotland  
Made under section 22 of the Public Finance and Accountability (Scotland) Act 2000  
October 2025

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## Accessibility

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# Key messages

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- 1 My independent audit opinion is unmodified. An underspend of £1 billion is reported in the 2024/25 Consolidated Accounts.
- 2 The Scottish Government did not need to apply all the additional measures announced in September 2024 to achieve a balanced outturn, mainly due to additional funding received during the year.
- 3 There remain significant pressures for 2025/26 with the achievement of a balanced financial outturn not yet certain. Many of the actions being taken are short term and do not support the fiscal sustainability of the Scottish public sector.
- 4 Additional transparency on the medium-term financial position has been provided by the publication of key documents in June 2025. More detailed delivery plans, supported by robust governance arrangements, are required. These must result in changes to the design and delivery of public services, including an affordable public service workforce.
- 5 The Scottish Government has well-established assurance arrangements, but the Director-General portfolio structure presents some challenges when tackling issues that impact across government. This should remain an area of focus to ensure resources are targeted at priority areas. I reported earlier this year on the need for improvement to NHS governance arrangements.
- 6 Changes to sponsorship arrangements for public bodies are being implemented. These must strike the right balance between oversight and assurance, and the responsibilities of appointed Accountable Officers.
- 7 Oracle Cloud was successfully rolled out in October 2024, at a total implementation cost of £59.5 million. Continued focus will be needed to realise the anticipated benefits and demonstrate value for money from the investment in the new system.
- 8 The Scottish Government cannot clearly demonstrate that public spending is delivering the intended outcomes.

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# Introduction

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**1.** I am submitting the Scottish Government Consolidated Accounts and auditor's report for 2024/25 under section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report that I have prepared under section 22(3) of the Act.

**2.** My report is intended to support the Scottish Parliament in its important scrutiny role of the Scottish Government. The report contains key information from the 2024/25 Consolidated Accounts and the Scottish Government's management of its budget. It also covers Oracle implementation, sustainability, governance and performance reporting.

## Background

**3.** The accounting boundary for the Consolidated Accounts reflects the areas for which the Scottish Government has direct responsibility and accountability, including the core portfolios, supporting administration, executive agencies and NHS bodies. It does not include bodies where the Scottish Government holds significant shareholdings such as Ferguson Marine (Port Glasgow) Holdings Limited (FMPG), Caledonian Maritime Assets Limited (CMAL), Scottish Futures Trust, Glasgow Prestwick Airport or the Scottish National Investment Bank. The Scottish Government's investments in these nationalised industries and limited companies are included within the Consolidated Accounts. Other public bodies such as local authorities, and areas of expenditure such as public sector pension schemes, are also out with the accounting boundary.

**4.** The Scottish Government Consolidated Accounts:

- cover over 90 per cent of the budget approved by the Scottish Parliament
- report the amounts spent against each main budget heading, and the reasons for any variances above £5 million
- show the amounts distributed to other public bodies including local government
- report the assets, liabilities and other financial commitments of the bodies within the consolidation boundary, that are carried forward into future years
- contain a performance report, in which the government gives an account of its performance during the year.

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# Financial management

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## **My audit opinions on the annual report and accounts are unmodified**

**5.** My independent auditor's report is set out at pages 80 – 83 of the Consolidated Accounts. My opinions on the 2024/25 financial statements are unmodified. This means, in my opinion, I am content that the Scottish Government Consolidated Accounts show a true and fair view and have been properly prepared to follow accounting standards and that the income and expenditure for the year is lawful.

## **The auditor of Social Security Scotland continues to qualify their regularity opinion**

**6.** The 2024/25 annual report and accounts of Social Security Scotland include total benefit expenditure of £5,944 million of which £2,227 million (37 per cent) was administered by the Department for Work and Pensions (DWP) under an agency agreement with Scottish ministers. Due to these delivery arrangements, Social Security Scotland cannot directly assess the levels of fraud and error in these benefits and is reliant on the DWP's annually published estimates.

**7.** The estimated overpayments as a result of fraud and error in the benefits administered by the DWP, ranged from 0.5 to 3.9 per cent of expenditure. This means an estimated £40 million of overpayments were made to Scottish residents. This has reduced in recent years as more cases have transferred from DWP and are now being administered by Social Security Scotland.

**8.** The auditor qualified their regularity opinion as these overpayments were not incurred in accordance with relevant legislation and regulations. Further details can be found in the 2024/25 Annual Audit Report of Social Security Scotland.

**9.** As a material component, the qualified regularity opinion for Social Security Scotland requires me to assess the potential impact of its inclusion within the Scottish Government Consolidated Accounts. As in previous years, I concluded that the likely amount of error and fraud incurred is not significant enough to influence the economic decisions of the users of the Consolidated Accounts and therefore I have not qualified my opinion in respect of this matter.

**10.** I recently published a report on the Adult Disability Payment which accounts for £2,479 million (42 per cent) of the total benefit expenditure in



2024/25. My report highlights the growing gap between the funding received from the UK Government and expenditure, and the need for a clearer understanding of the impact on the delivery of the desired outcomes.

### **During 2024/25 the Crown Office and Procurator Fiscal Service agreed non-contractual settlement agreements with two senior officers**

**11.** I have been advised by the auditor of the Crown Office and Procurator Fiscal Services (COPFS) that two senior officials received settlement payments totaling £0.2 million during 2024/25. These payments were omitted from the Remuneration and Staff Report disclosures in the unaudited annual report and financial statements.

**12.** The payments settled a long-running dispute resulting from the removal of a senior civil service pay band.

**13.** I note that these payments are now correctly disclosed within the Remuneration and Staff Report and that the auditor is satisfied that the SPFM requirements were met.

### **An underspend of £1 billion is reported in the 2024/25 Consolidated Accounts**

**14.** The Consolidated Accounts show that total net expenditure during 2024/25 was £56.3 billion, £1 billion less than budget. The resource budget was underspent by £875 million (1.6 per cent) against a budget of £54.8 billion. Capital was underspent by £134 million (5.3 per cent) against a budget of £2.5 billion.

**15.** High-level reasons for significant variances between actual and budgeted spend are included in the Consolidated Accounts.

### **The approval of agency staff expenditure needs to be strengthened to ensure value for money**

**16.** The Scottish Government's policy for the use of agency staff permits appointments to be approved at Deputy Director level regardless of the daily charge, length of appointment or overall cost of the engagement.

**17.** The audit team identified a specific case where a previous employee was engaged through an agency, on a part-time basis for four months at a cost of £85,612. This was subject to two further direct awards, extending the appointment to ten months at a total cost of £220,689. The Scottish Government has advised that this was a technical role relating to the closure of the European Structural and Investment Funds and that a value-for-money case can be made on that basis.

**18.** While I recognise the significant financial risks associated with this work, I do not agree that this level of public spending is appropriate without a more robust approval and monitoring process being in place. The audit team have recommended that the Scottish Government review the approval levels for agency staff appointments, and the arrangements to monitor and report on agency expenditure. This recommendation has been accepted by the Scottish Government.

## Financial interventions continue to require investment and ongoing management

**19.** The Strategic Commercial Assets Division (SCAD) has five units covering initial assessment for investment through to potential exit strategy. SCAD's role is to consolidate expertise, increase capacity to respond to cases seeking intervention from the Scottish Government and provide support across the whole lifecycle. [Exhibit 1](#) highlights the remaining financial interventions being actively managed by SCAD.

### Exhibit 1

#### Financial interventions to private companies

Financial intervention	Total financial investment	Current value in accounts
<b>Prestwick Airport</b> Purchased by the Scottish Government in November 2013 with the stated aim of protecting jobs and safeguarding the asset. Change in financial investment value is attributable to accumulated debt interest. Total investment consists of capital (£43.4 million) and interest (£15.5 million).	£58.9 million (£55.5 million last year)	£21.3 million (no change)
<b>Ferguson Marine (Port Glasgow) Holdings Limited</b> Established by the Scottish Government in December 2019 after Ferguson Marine Engineering Limited (FMEL) went into administration. The existing voted loans (£97.7 million) were terminated and the difference between the valuation of the ferry vessels (£74.8 million) and the valuation of the outstanding loans (£22.9 million) was written off in 2020/21.	£361.9 million (£304.7 million last year)	£99 million* (£94.6 million last year) * This includes £55 million for MV Glen Sannox which was transferred to CMAL in November 2024

Financial intervention	Total financial investment	Current value in accounts
<b>Lochaber Aluminium Smelter – Gupta Family Group (GFG Alliance)</b>  In December 2016, the Scottish Government issued a 25-year financial guarantee contract to SIMEC Lochaber Hydropower Limited. The Scottish Government receives an annual fee in return for the guarantee. The annual exposure to the Scottish Government is between £14 million and £32 million, over the lifetime of the contract.	Nil (no change)	Provision of £130 million (no change)

Source: Audit Scotland

**20.** I have asked the audit team to continue to monitor and report on these financial interventions, including the risks they present for the public purse.

**The Scottish Government did not need to apply all the additional measures announced in September 2024 to achieve a balanced outturn**

**21.** In August 2024, in recognition of the deteriorating financial position, emergency spending controls were introduced. In September 2024, a range of measures, totalling £933 million, were announced to support a balanced outturn position.

**22.** In total, just under £2.2 billion of additional resource Barnett consequentials were received in 2024/25 due to an increase in UK Government spending. I therefore note that the announced measure to utilise all the available ScotWind revenue of £460 million was not required.

**There remain significant pressures for 2025/26 with the achievement of a balanced financial outturn not yet certain**

**23.** The 2025/26 Scottish Government Budget was passed by Parliament in December 2024 and was set at £63.4 billion, a 3.8 per cent real terms increase on the budget set in 2024/25.

**24.** As noted in [paragraph 22](#), achieving financial balance in 2024/25 was supported by the receipt of additional consequentials. The Scottish Government cannot rely on receiving unplanned consequentials to achieve a balanced position for 2025/26 and therefore need to ensure that it manages spending within the approved budget.

**25.** I am aware that a plan to achieve financial balance has been identified, but that significant further work is required to ensure delivery. I also understand that many of the actions being identified, and delivered

for 2025/26, continue to be non-recurring. This approach impacts on the longer-term sustainability of the Scottish public sector.

# Oracle implementation

## Oracle Cloud was implemented in October 2024 at a total cost of £59.5 million, up from an initial estimate of £22 million

**26.** Last year I reported that the Oracle Cloud system was introduced for the Scottish Government and a further 32 other public sector bodies in October 2024 following earlier delays and cost overruns. I committed to reporting on the implementation of Oracle Cloud during 2025.







**27.** [Exhibit 2](#) details the approval timeline and associated cost estimates for the Oracle implementation. Project implementation costs were £59.5 million (following VAT recovery of £8 million), up from an initial estimate of £22 million at the start of the project in April 2022. The increased cost is attributed to a combination of an underestimation of the scale and complexity of the programme and the implementation delays. This additional spend reduced the budget available for other areas.

**28.** It should be noted that the final project implementation costs of £59.5 million do not include the costs required to implement the Enterprise Performance Management (EPM) reporting modules which were deferred from initial implementation. Work in relation to EPM is ongoing with £1.8 million spent on three releases up to August 2025, and further releases continuing through to July 2026. The delivery cost for these additional releases is still being determined by the Scottish Government.

### Exhibit 2

#### Approval timeline for Oracle Cloud implementation process

Date	Activity	Cost
2021		
 April	Outline business case approved by Directorate General Corporate.	-
2022		
 April	Full business case approved by Minister for Business, Trade, Tourism, and Enterprise, and Cabinet Secretary for Finance and the Economy.	£22 million

Date	Activity	Cost
<b>2023</b>		
 <b>September</b>	Refreshed business case, with revised costs and planned implementation date of 1 April 2024, approved by Deputy First Minister and Cabinet Secretary for Finance.	£46 million
 <b>December</b>	Planned end of Oracle Cloud implementation phase per the original business case approved in April 2022.	-
<b>2024</b>		
 <b>March</b>	Deputy First Minister and Cabinet Secretary for Finance approved revised go-live date of 1 October 2024.	-
 <b>April</b>	Planned Oracle Cloud HR and Finance system go-live date per revised business case approved in September 2023.	-
 <b>June</b>	Refreshed Accountable Officer assessment, with revised costs, and implementation date of 1 October 2024, approved by Cabinet Secretary for Finance & Local Government.	£59 million
 <b>30 September</b>	Decision to proceed with the Oracle Cloud go-live date of 1 October 2024 was approved by the Steering Committee.	-
<b>1 October</b>	<b>Oracle Cloud HR and Finance system go-live date</b>	<b>£59.5 million</b>

Source: Scottish Government

### **Continued focus will be needed to realise the anticipated benefits from Oracle Cloud and demonstrate value for money from the investment in the new system**

**29.** Successful implementation involves more than just the new platform being in place, it is about a strengthened control environment and being able to access better data to support decision-making.

**30.** The Scottish Government anticipate that they expect Oracle Cloud to be in a stable state in Autumn 2025. This will enable the project to move to the optimisation phase with a rolling schedule of continuous improvement.

**31.** I have asked the auditor to continue to monitor the implementation of additional modules and to report on the progress being made by the Scottish Government in realising the full business benefits from the system. Only then will the Scottish Government be able to demonstrate the value for money delivered from the investment in the new system.

## **Appropriate governance arrangements were in place for the transition to Oracle Cloud, and the decision to go-live in October 2024 was reasonable**

**32.** The auditor reviewed the governance arrangements that operated throughout the implementation of Oracle Cloud. A detailed governance framework was put in place including a Steering Committee; Shared Service Programme Management Board; Programme Finance Review Group; Vendor Management Group; Business Design Authority; and Customer Board. A Gateway Review process was also established to provide independent assurance.

**33.** I am pleased to note that the auditor has concluded that the governance arrangements were appropriate and operated as expected.

**34.** Audit work has confirmed that the data migration process for transferring data from the old systems to Oracle Cloud was well planned and executed. Further, the Scottish Government developed detailed user acceptance testing plans to enable the end users to test the system to ensure it met their business requirements and was ready for deployment. Although not all exit criteria were fully met for the HR-Payroll modules, these were resolved after the system went live.

**35.** In addition to user acceptance testing, regular organisational readiness assessments were completed to track the preparedness of the Scottish Government departments and user bodies. The exit criteria set for the organisational readiness assessments was that all Scottish Government core departments and user bodies would achieve 70 per cent readiness prior to go-live.

**36.** Two Scottish Government departments and one user body were below the 70 per cent readiness threshold when the decision to go-live was made. The minutes of the meeting of the Steering Committee on 30 September 2024 noted that the remaining issues and risks were not significant enough to delay the implementation of the system.

**37.** The transition to Oracle Cloud comprised a wide range of activities consistent with the audit team's expectations. To support the transition there were three separate 'freeze periods' where no changes were allowed to the systems to minimise the data transfer risks. The longest period related to the e-HR system which resulted in no changes to HR and payroll data for seven weeks.

**38.** The audit team were satisfied that the decision to go-live on 1 October 2024 was reasonable, and the transition to Oracle Cloud was well planned, managed and executed.

## The training arrangements and management of support tickets could have been improved

**39.** The Scottish Government recognised that training was a key element of the change management process and essential for the go-live preparation. The audit team reviewed the training plan and identified that there were no forms of training available before 1 August 2024. Given the scale of the change, it would have been preferable for users to have a longer period to complete training and familiarise themselves with the requirements of the new system prior to go-live. This would also have helped smaller user bodies manage the resource impact of the volume of training that had to be completed.

**40.** A clear process was established for identifying, documenting and resolving issues from system users. However, the audit team collected feedback from user bodies which highlighted that there was frustration with how the support ticket process operated. The Scottish Government acknowledge that staff were not prepared for the volume of support tickets raised and this impacted on the operation of the planned process.

**41.** I note that the Scottish Government has accepted the recommendation made by the audit team and has committed to continuing to work with user bodies to address their frustrations.

## A service auditor has been procured to provide assurance over the system controls operating within Oracle Cloud

**42.** The role of a service auditor is to provide independent assurance that outsourced service providers are operating effective controls, confirming that the system is operating as intended. It also delivers efficiencies by avoiding the need for multiple audits and enquiries.

**43.** The audit team reviewed the arrangements the Scottish Government has in place to obtain assurance on the Oracle Cloud application controls, and third-party hosting controls including:

- **Service Auditor Report – System and Organisation Controls 2 (SOC2) 2024/25:** A SOC2 review is designed specifically for technology and cloud computing organisations that handle customer data. The Scottish Government has obtained a SOC2 report for 2024/25.
- **ISAE 3402 Type 1 Service Auditor Report – Application Controls 2024/25:** The Scottish Government has procured an ISAE 3402 Type 1 report for 2024/25. This is an industry standard report that scrutinises whether the new Oracle Cloud application has the requisite controls in place. The ISAE 3402 Type 1 review is currently being completed with the service auditor report due to be issued by October 2025. No audit assurance can be obtained from



a Type 1 report as although it assesses the design of the key controls, it does not provide any assurance over their operation.

- **ISAE 3402 Type 2 Service Auditor Report – Application**

**Controls 2025/26:** The first ISAE 3402 Type 2 report will cover the 2025/26 financial year and involve detailed testing of the effectiveness of the controls in place in respect of the Oracle Cloud application. The final report will be available in summer 2026.

**44.** The SOC2 report confirms that the Scottish Government had sufficient assurances over the operational effectiveness of the controls in place to protect customer data at Oracle's UK cloud data centres.

**45.** I have asked the audit team to continue to monitor the assurance arrangements and include conclusions on these as part of next year's audit reporting.

**The lessons learned review should consider the impact of optimism bias on the original estimates for the timescale and costs of the project**

**46.** As with any large project, it is important that a post-implementation review is completed to reflect on the overall success of the project in meeting its stated objectives and expected benefits. This should include assessing which aspects of the project went well and what could have gone better, and to identify lessons and insights that can be applied more widely to improve the planning, management and delivery of future projects.

**47.** I expect the post-implementation review to consider the conclusions of the audit team on Oracle implementation and develop lessons learned that can be shared across the public sector. This could be used to inform the procurement and implementation of a new finance system for NHS Scotland.

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# Sustainability

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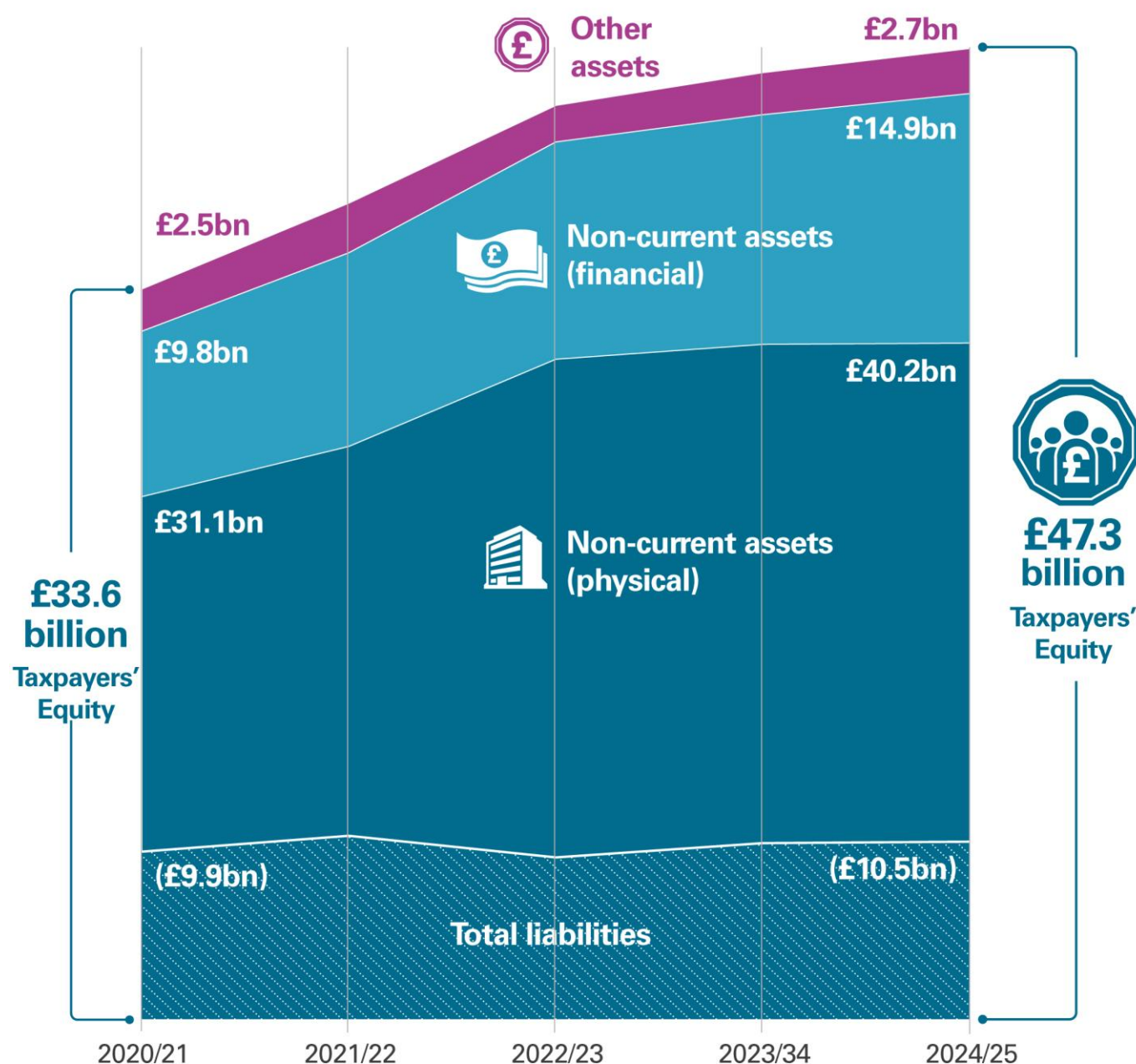
## The Consolidated Statement of Financial Position shows that assets continue to increase faster than liabilities

**48.** The Consolidated Statement of Financial Position is one of the primary financial statements in the Consolidated Accounts. It summarises what is owned and owed by the core Scottish Government and those public bodies within the consolidated boundary. This shows taxpayers' equity – an accounting measurement of the amount of taxpayers' money applied that has continuing public benefit, as detailed in [Exhibit 3](#). It also details how much of this has arisen from the application of parliamentary funding (from the Scottish Block Grant, borrowing and devolved taxes) and how much resulted from changes in the value of assets over time.

**49.** Taxpayers' equity has increased in each of the last five years from £33.6 billion to £47.3 billion, largely due to an increase in physical assets (such as property and roads) and financial assets (such as loans and investments). Total liabilities (such as payments for private-financed projects) have increased at a much slower rate from £9.9 billion in 2020/21 to £10.5 billion in 2024/25.

**50.** I note that in the last two years the increase in value has largely been attributable to the financial non-current assets relating to student loan debt and the voted loans provided to Scottish Water and Transport Scotland. These therefore reflect the associated spend that should result in future repayments.

### Exhibit 3 Financial position



Source: Scottish Government Consolidated Accounts

### The Medium-Term Financial Strategy highlights the unsustainable financial position of the Scottish public sector

51. In June 2025, the Scottish Government published a new [Public Service Reform Strategy](#) (PSRS), its seventh [Medium-Term Financial Strategy](#) (MTFS) and the first [Fiscal Sustainability Delivery Plan](#) (FSDP).

These documents provide a framework for the future of Scottish public sector finance and public service reform.

**52.** The 2025 MTFS presents a stark picture with gaps in resource projected to grow from a balanced budget in 2025/26, to a gap of £2.6 billion in 2029/30. Scottish Government policy choices, along with higher workforce costs, are contributing to a divergence in the growth in spending relative to the growth in funding.

**53.** The capital budget has faced significant challenges in recent years, creating a backlog of infrastructure projects. A new infrastructure pipeline, and a draft of the next Infrastructure Investment Plan, will be published alongside the 2026/27 budget. The MTFS highlights that capital spending is forecast to exceed the available budget by £1.1 billion in 2026/27, rising to a gap of £2.1 billion in 2029/30.

**54.** The projections indicate that significant further action is required, for both resource and capital, to move the Scottish public sector to a sustainable position. The FSDP focuses on the resource position and draws together current activity and future actions with the following cashable savings to be delivered over the next five years:

- A workforce target of an average 0.5 per cent reduction per annum, protecting frontline services, with savings growing from £100 million to £700 million per annum.
- Wider public sector efficiencies and productivity, reform, and revenue raising, with savings growing from £600 million to £1.5 billion per annum.
- Increasing public value, to be set out in the Scottish Spending Review, with a savings target of between £300 million and £700 million per annum.

**55.** I agree with the recommendation within the annual audit report that more detailed delivery plans need to be developed to support the realisation of the savings outlined in the FSDP.

## **Workforce reform is critical to the delivery of sustainable public services**

**56.** The PSRS sets out how the Scottish Government aims to increase the pace and scale of reform. The public sector in Scotland is a larger proportion of the employed population than in the rest of the UK and therefore presents additional financial challenges. The PSRS acknowledges that workforce reform is a critical component of public service reform.

**57.** Workforce controls have been in place within the Scottish Government since the Resource Spending Review in 2022. These have resulted in a significant reduction in the contingent workforce, but there has been no

similar reduction in directly employed staff. I recognise that the costs associated with **contingent workers** were, and continue to be, significant but there has not yet been the necessary focus on restructuring of the Scottish Government's directly employed workforce.

**Contingent workers** refers to staff not on the Scottish Government payroll, including agency workers, contractors or secondees.

**58.** The [Public Sector Pay Policy](#), published in December 2024, was designed to provide a fiscally sustainable basis for pay negotiations. However, none of the pay deals subsequently agreed by the Scottish Government meet the expectation within the policy of either covering the three-year period or being restricted to a maximum three per cent pay uplift for 2025/26. This introduces additional recurring financial pressures in the short term and has not mitigated the future year risks given many of the two-year deals agreed include inflation guarantees.

**59.** Last year I reported that the Scottish Government was making short-term decisions to balance the budget, and I am concerned that this remains the case. I welcome the recent publication of the MTFS, FSDP and PSRS, but for them to be successful, they need to result in real change to move the Scottish public sector to a more sustainable position.

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# Sponsorship

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## Further action is required to fully embed the actions identified by the Ryan Review

**60.** The independent review of public bodies, Eleanor Ryan's [Progress Review of Scottish Government relationships with Public Bodies](#) was published in 2022 and included 14 recommendations. The Scottish Government provided a formal response to the review including details on each recommendation, an indication of next steps as well as timescales for completion.

**61.** During 2025, the Public Bodies Sponsorship Unit (PBSU) completed a full review of progress against the recommendations to ensure that the action initially taken was still appropriate. I note that this review has identified areas for further action and the audit team agree with this assessment.

## Sponsorship of public bodies remains a key focus, with opportunities to further strengthen arrangements

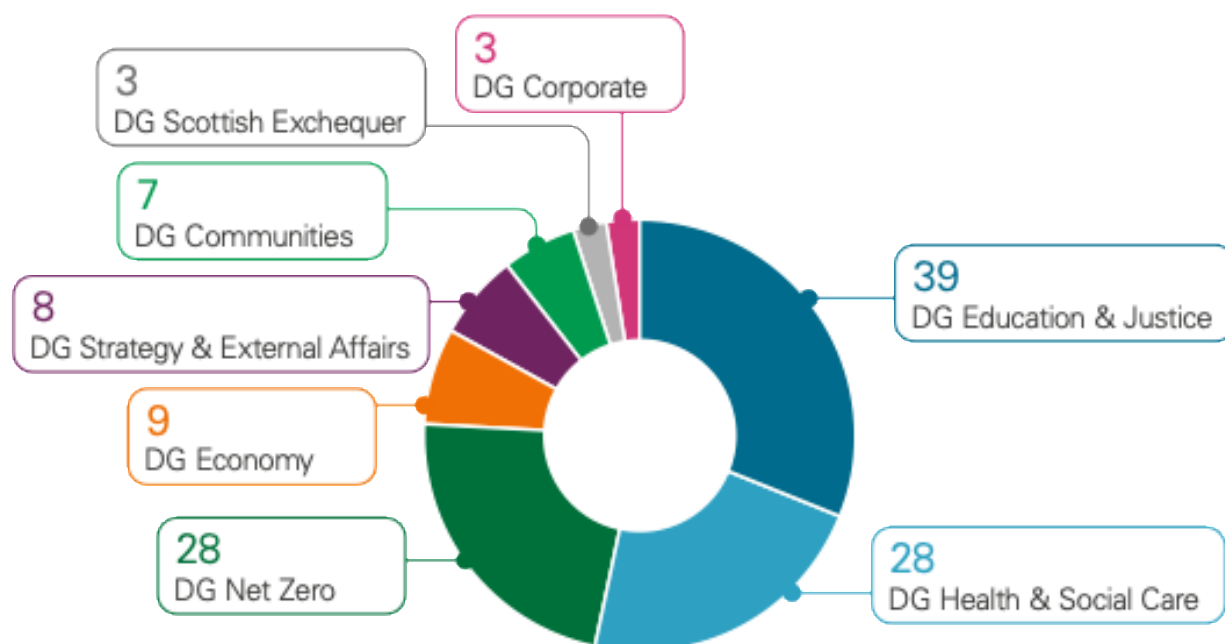
**62.** Following my 2022/23 report on the significant weaknesses in the Water Industry Commission for Scotland (WICS), the Scottish Government completed a review of sponsorship arrangements and are implementing the recommendations:

- Sponsorship is to be viewed as a specialism, with Sponsorship Team and Senior Civil Service objectives in place for 2025/26.
- A peer-led Sponsorship Forum is now established, with representatives from across the Scottish Government. This provides a community to discuss issues and develop best practice.
- Establishment of the Public Body Advice and Support Network, enabling sponsorship teams and Directors General to access central resources to ensure consistency in support for live issues.
- Annual Deep Dives are part of the reporting of strategic sponsorship for each Director General portfolio.

**63.** There are 125 devolved public bodies aligned to each Director-General as shown in [Exhibit 4](#).

## Exhibit 4

### Public bodies for each DG portfolio



Source: Audit Scotland

**64.** The health sponsorship team have a different approach to monitoring performance and managing risks across territorial boards in the NHS in Scotland. The [NHS Scotland: support and intervention framework](#) sets out a process for the Scottish Government to support and intervene in territorial NHS boards that are struggling to meet delivery standards or services.

**65.** The framework sets out a number of issues which would result in boards being escalated, including those associated with specific services or organisational issues. I reported earlier this year on the need for NHS governance arrangements to improve to deliver the scale of reform needed across the health service in Scotland.

**66.** I expect the Scottish Government to continue to work to ensure that sponsorship gets the visibility and scrutiny it requires. I have asked the audit team to closely monitor sponsorship arrangements. Key to this is ensuring they strike the right balance between oversight and assurance, and the responsibilities of the appointed Accountable Officers.



# Governance and transparency

## **Governance and risk management arrangements are operating effectively, but cross-government priorities need a renewed focus**

**67.** A Governance Statement prepared by the Permanent Secretary is a key feature of the 2024/25 Scottish Government Consolidated Accounts (pages 41 – 59). It forms part of the wider accountability report and summarises how the Scottish Government is controlled and directed. The statement highlights the main risks and opportunities and any significant internal control issues in 2024/25. I am satisfied that the Governance Statement is consistent with the financial statements and has been prepared in accordance with guidance issued by the Scottish ministers.

**68.** The Scottish Government has established assurance arrangements in place, involving both Executive Team and Non-Executive Directors. There have been significant changes in the Scottish Government leadership team during 2025, and new Non-Executive Directors are joining to increase the capacity following a number of departures.

**69.** Risk management is key to the Scottish Government's assurance arrangements and is a standing agenda item across the governance framework. The audit team noted that they have observed robust discussions on risk reporting, with risk management arrangements being well developed across the Scottish Government.


**70.** The Director-General portfolio structure within the Scottish Government can effectively support focused action on key areas. However, it presents some challenges when tackling issues that impact across government such as child poverty or public service reform. This should remain an area of focus for the Scottish Government.

## **The cost to complete the MV Glen Rosa has increased to £185 million, and the estimated delivery date has now been pushed back to between April and June 2026**

**71.** I have reported in recent years about the escalating costs and extended timelines for the delivery of MV Glen Sannox and MV Glen Rosa. [Exhibit 5](#) outlines the timeline, associated costs to complete the vessels and due diligence processes that have taken place since the initial decision to acquire the vessels. This does not include any previous costs incurred.



**Exhibit 5****MV Glen Sannox and MV Glen Rosa: timeline and due diligence**

 Date	MV Glen Sannox timeline	MV Glen Rosa timeline	Total cost to complete both vessels (public ownership)	Due diligence process
<b>Dec 2019</b>	Dec 2021	Oct 2022	£110m – £114m	Initial decision to acquire
<b>Aug 2020</b>	June 2022	Feb 2023	£110m – £114m	-
<b>June 2021</b>	Sept 2022	July 2023	£110m – £114m	-
<b>March 2022</b>	May 2023	Dec 2023	£119m – £123m	High-level AO assessment
<b>Sept 2022</b>	May 2023	Jan 2024	£203m	Full AO assessment commenced
<b>March 2023</b>	May 2023	March 2024	£210m	-
<b>June 2023</b>	Dec 2023	Dec 2024	£223m	-
<b>Sept 2023</b>	March 2024	May 2025	£240m	FMPG detailed scrutiny
<b>February 2024</b>	May 2024	Sept 2025	£299m	-
<b>November 2024</b>	<b>MV Glen Sannox officially handed over to CMAL</b>			
<b>December 2024</b>	-	Sept 2025	£299m	Updated AO Assessment signed
<b>January 2025</b>	<b>MV Glen Sannox begins operating on the Troon to Brodick route, serving the Isle of Arran</b>			
<b>May 2025</b>	Nov 2024	April to June 2026	£334m	-

Source: Audit Scotland

**72.** I reported last year that, following detailed scrutiny by FMPG, further cost increases and delivery delays were announced in February 2024, however a Portfolio Accountable Officer Assessment had not been completed. I can confirm that this was completed in December 2024 based on the cost estimates provided by FMPG which had been subject to

due diligence by the Scottish Government, but had not been scrutinised by external consultants.

**73.** The Scottish Government included a risk premium in the delivery schedule and costs associated with MV Glen Rosa in the options appraisal undertaken as part of the value for money assessment. I note that the outcome of the options appraisal was that the value-for-money standard was not met, as it remained cheaper to purchase a new vessel than for FMPG to finish building the MV Glen Rosa. On 18 December 2024, the Director-General Economy was provided with confirmation from the Deputy First Minister and Cabinet Secretary for Economy and Gaelic that the previous written authority continued and the build of MV Glen Rosa should continue at FMPG.

**74.** Further cost increases and delays were reported in May 2025 taking the total cost to complete both vessels to £334 million, up £35 million from the December 2024 Accountable Officer assessment. Due to these latest revisions to the completion date and costs of the MV Glen Rosa, a further Accountable Officer assessment is being completed.

### **The lack of accurate projections for the cost and completion dates of the vessels has undermined Accountable Officer assessments**

**75.** The continual slippage and cost overruns throughout the build process for MV Glen Sannox and MV Glen Rosa represents a poor use of public money. MV Glen Sannox was officially handed over to CMAL in November 2024, three years after the original completion date, with MV Glen Rosa now projected to be delivered almost four years late. Further, the combined costs of the vessels have increased from an original upper estimate of £114 million to the latest projection of £334 million, a £220 million or 193 per cent overspend.

**76.** The lack of accurate projections for the cost and completion dates of the vessels has undermined the previous Accountable Officer assessments. I intend to publish a further report on the delivery of the vessels following the completion of the MV Glen Rosa.

### **There are opportunities to enhance the consolidated Scottish public sector financial information**

**77.** In October 2024, the Scottish Government collated 2022/23 financial information for the Scottish public sector and provided this to Parliament for consideration. The information focused on the assets and liabilities across the Scottish public sector and provided a more complete picture of the financial position associated with the powers and responsibilities devolved to the Scottish Parliament.

**78.** I provided my views in May 2025 on how this information could be further enhanced to support public understanding. I highlighted that the

real value would be established once trend information could be included to show the growth or decline of assets and liabilities over time. The audit team are due to receive the next version of the Scottish public sector financial reporting in October 2025 to enable them to fully assess the progress that has been made.

## **The Performance Report does not provide a complete view of the Scottish Government's performance**

**79.** The 2024/25 Scottish Government Consolidated Accounts include a performance report (pages 4 – 39) in line with the requirements of the Government Financial Reporting Manual (FReM).

**80.** Last year I reported that improvements had been made to the performance reporting within the Consolidated Accounts. It is disappointing to note that the 2024/25 performance report presented for audit did not address the prior year recommendation for improvement and represented a step backwards in terms of the overall standard and transparency of reporting on performance outcomes.

**81.** The performance report contained only limited outcome data which focused on areas of positive performance and therefore did not contain the required balance. Further, the report did not include the new enhanced sustainability disclosures required for 2024/25.

**82.** I am satisfied that the performance report has now been updated and meets the minimum requirements of the FReM, however more robust arrangements must be put in place for future reporting.

## **The Scottish Government cannot clearly demonstrate that public spending is delivering the intended outcomes**

**83.** The National Performance Framework (NPF) was intended to be the foundation for how policy was developed and delivered in Scotland. It included 11 National Outcomes and aimed to combine economic performance with a broader range of wellbeing measures. These indicators incorporated a range of data from social attitudes and perceptions, to economic and environmental statistics, designed to show a broad picture of Scotland's performance.

**84.** The PSRS acknowledges that there are underlying systemic barriers and root causes which prevent faster progress and notes that to deliver a system that improves lives, reduces inequality and is fiscally sustainable, the public services system will need to:

- be efficient and effective with the right-size delivery landscape
- have better joined-up services and a focus on helping people
- prioritise prevention

- empower people and communities to shape the services that matter to them
- be fiscally sustainable.

**85.** Key to delivering these types of whole-system changes is having clear, reliable data on what activity is having the greatest positive impact on outcomes and driving improvement and efficiencies in public services.

**86.** Following recent reviews, it was confirmed that the Scottish Government would take further time to rethink and reform the NPF. In this intervening period there is no overarching framework to measure and report outcome data. The lack of a clear and consistent performance reporting framework makes it hard for the Scottish Government to demonstrate the extent to which it is using resources effectively to improve outcomes, and to direct resources to the areas of greatest impact.

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# Conclusion

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**87.** The Consolidated Accounts remain a critical component of the Scottish Government's accountability to the Scottish Parliament and the public. The lack of available data means that the Scottish Government is not clearly demonstrating that public spending is delivering the intended outcomes, and there is a risk that the current portfolio structure is preventing the necessary focus on cross-government issues.

**88.** The key financial publications, published in June 2025, provide a framework to support the necessary changes to the Scottish public sector, but workforce pressures continue to increase. Real change is needed to move the Scottish public sector to a more sustainable position.

# The 2024/25 audit of the Scottish Government Consolidated Accounts



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