

Permanent Secretary
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Public Audit Committee

By email: publicaudit.committee@parliament.scot

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Dear Convener,

Thank you for your letter dated 23 May 2023 on Public Sector Reform and Corporate Transformation. I am pleased to share with you the following as requested, collated from across different teams in the Scottish Government and our public sector. I hope this is helpful.

Public Sector Reform

The Committee requested some examples where public bodies have identified opportunities for more joined-up service delivery. Developing inclusive system leadership and collaborative partnerships for reform are core to our missions, and I am pleased to say that I see many good examples across Scotland. We are in the process of analysing some returns from public bodies and the Committee will be pleased to note that they have evidenced a number of collaborations across the public body landscape. I have included a few examples below, including some wider system collaborations too:

- The Scottish Delivery Bodies Group have been conducting a shared services feasibility review, which is investigating options for more effective delivery of shared services across its different organisations.
- The Enterprise Bodies (Scottish Enterprise, South of Scotland Enterprise and Highlands and Islands Enterprise) have been working together to identify potential options for exploring the business case for greater interagency collaboration, looking at more collaborative and shared approaches to common functions, collaborative procurement, shared delivery and shared services.
- There is increased joint working between scrutiny bodies on criminal justice system-wide issues. Collaboration across scrutiny bodies also includes internal organisational issues, such as joint training for staff and sharing expertise when required.
- *Bòrd na Gàidhlig* is collaborating with community organisations to develop community-based Gaelic language plans which will also provide a framework for increased joint-working from public bodies.
- The Scottish Funding Council is leading on collaboration projects across colleges and universities. This includes an estates planning initiative to support digital and net zero ambitions and aligned curriculum planning and delivery across the college and university sectors.

As we discussed when we met, digital transformation is a key enabler of public service reform. High quality, end-to-end digital services, supported by good quality data will be transformative for public service delivery and driving efficiencies. For example, a Digital Evidence Sharing Capability is being developed collaboratively by and for Criminal Justice Sector Partners. The project, currently at pilot stage, aims to deliver a service to collect and share digital evidence at every stage of a criminal case and prosecution. We will continue to encourage this type of important digital transformation across Scotland's systems and public bodies. To support that goal, the Scottish Government are developing a public sector framework to establish a common approach to progressing digital delivery. This should help us maximise the impact and value of digital transformation for public sector bodies and we would be pleased to keep the Committee updated on this work should that be helpful.

The fiscal context and drivers for reform are clear and while effective public service reform is a cornerstone of fiscal sustainability, there is no pre-determined savings target for the overall programme of reform – this is about coaching a culture for public service transformation, seeking to optimise enablers to accelerate progress wherever we can. This allows different cases for change to be considered on their own merit and aligns accountability for delivery with the relevant portfolio and service owner. We do intend to set refreshed multi-year spending envelopes in the Scottish Budget 2024-25 later this year, which will support public bodies with better future funding certainty and help in configuring their transformation plans to optimise outcomes, improve efficiency, and deliver within sustainable, revised Budgets. Furthermore, we will continue our work with the public bodies who have the potential for raising revenue to explore opportunities to recover more of their costs in a way that is fair and minimises the impact on service delivery.

Public Sector Pay

There has been a divergence between Scottish Government and the UK Government regarding pay awards over a number of years, particularly since the Scottish Government lifted the pay cap in 2018-19. This includes Civil Service pay, with the exception of Senior Civil Service pay, which remains reserved. The Public Sector Pay Strategy for 2023-24 was published on 22 March 2023. It sets the framework to deliver fair, affordable pay awards and a sustainable workforce to enable the delivery of innovative and efficient public services. For the first time, the Pay Strategy included details of the economic factors that were considered when determining the key pay metrics including inflation forecasts, the 2023-24 budgetary envelope, affordability pressures and the size of the public sector workforce in Scotland.

While the Pay Strategy sets a central metric of 3.5%, it also includes the option for employers to award pay increases of up to 5% if they can demonstrate affordability through business efficiencies and workforce changes as part of public service reform. In addition to pay metrics, the Scottish Public Sector Pay Strategy includes a commitment to No Compulsory Redundancies and wellbeing policies, such as a requirement to implement a Right to Disconnect. In addition, Pay Strategy retains discretion for employers to reach their own decisions about pay progression, and maintains the suspension of non-consolidated performance-related pay (i.e. bonuses).

The UK Civil Service Pay Remit Guidance for 2023-24 was published in April 2023 and allowed departments to make average pay awards of 4.5% with flexibility for an extra 0.5% for lower pay bands. This was supplemented on 2 June 2023 allowing departments to make an additional non-consolidated payment.

Headcount

Scottish Government headcount data is published quarterly on the [gov.scot website](https://www.gov.scot) going back to 2012. It shows the total headcount of the Scottish Government grew from 6,689 directly

employed and 1,344 contingent workers in March 2019, to 8,846 directly employed and 2,031 contingent workers in March 2022. By March 2023 the headcount of contingent workers had reduced to 1,659 (a reduction of 372) and directly employed headcount was 9,175 (an increase of 329). Taken together (i.e. where the total workforce is the sum of directly employed and contingent workers), the Scottish Government was smaller at the end of the 2022-23 financial year than at the start. We continue to monitor this carefully every month.

For the 2023-24 financial year, the workforce will remain broadly the same size, with further potential to reduce the contingent workforce and replace with directly employed headcount, aiming to increase resilience, core capability and build deeper inclusive expertise in our teams and professions. We will provide a further update in the Scottish Budget 2024-25 and continue to publish data transparently.

Corporate Transformation

The correspondence from the Committee requested why there has been a change of planned implementation dates for the HR and Finance Transformation Programme.

As we have commenced our delivery work, we have developed a more detailed understanding of the integration challenge for the Scottish Government and for our public sector partners who will also benefit from the Transformation Programme. We are managing this complex change programme with care to ensure that we continue to meet the needs of our current HR and Finance services, delivering this programme in a safe and secure way. The safe transition from old to new systems is of paramount importance, ensuring this investment delivers the desired step-change in capability to our operations and our partners. We expect phased delivery to still take place in this financial year 2023-24.

I thank you again for your letter and I hope this response is helpful.

Best wishes,

JP Marks
Permanent Secretary to the Scottish Government