



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Public Audit Committee

**Wednesday 5 March 2025**

**Session 6**



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**Wednesday 5 March 2025**

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**PUBLIC AUDIT COMMITTEE**  
**8<sup>th</sup> Meeting 2025, Session 6**

**CONVENER**

\*Richard Leonard (Central Scotland) (Lab)

**DEPUTY CONVENER**

\*Jamie Greene (West Scotland) (Con)

**COMMITTEE MEMBERS**

\*Colin Beattie (Midlothian North and Musselburgh) (SNP)

\*Stuart McMillan (Greenock and Inverclyde) (SNP)

\*Graham Simpson (Central Scotland) (Con)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Lesley Fraser (Scottish Government)

Joe Griffin (Scottish Government)

John-Paul Marks (Scottish Government)

Alyson Stafford (Scottish Government)

**CLERK TO THE COMMITTEE**

Katrina Venters

**LOCATION**

The Sir Alexander Fleming Room (CR3)



## Scottish Parliament

### Public Audit Committee

Wednesday 5 March 2025

*[The Convener opened the meeting at 09:30]*

### Decisions on Taking Business in Private

**The Convener (Richard Leonard):** I welcome everyone to the eighth meeting in 2025 of the Public Audit Committee. Under agenda item 1, do committee members agree to take items 4, 5 and 6 in private this morning?

**Members indicated agreement.**

**The Convener:** Under agenda item 2, do committee members agree to take our next meeting, on Wednesday 12 March, in private?

**Members indicated agreement.**

## “Fiscal sustainability and public reform in Scotland”

09:30

**The Convener:** The main item of business on our agenda this morning is further consideration of the report by the Auditor General “Fiscal sustainability and public sector reform in Scotland”. I am pleased to welcome our four witnesses, who join us in the committee room. We are joined by the permanent secretary, John-Paul Marks—good morning, permanent secretary. Alongside the permanent secretary, we have the director general strategy and external affairs, Joe Griffin, and the director general corporate, Lesley Fraser. We are also pleased to welcome back the director general Scottish exchequer, Alyson Stafford.

We have a number of questions to put to you on the report, following the evidence session that we had with the Auditor General before Christmas. However, before we get to those questions, I invite the permanent secretary to make an opening statement.

**John-Paul Marks (Scottish Government):** Good morning to you, convener, and your committee. It would be remiss of me if I did not note your announcement yesterday and take the chance to wish you well in the future and pay tribute to your leadership of this committee and in the Parliament.

I am grateful to the Auditor General for the report “Fiscal sustainability and public sector reform in Scotland”. We welcome the recommendations. The Scottish Government has taken steps to mitigate fiscal risk and improve reform, and there are further steps ahead, as we will set out today. Ms Robison has confirmed that the medium-term financial strategy will be published in May. That will provide the Government’s view on the economic outlook, the risks that we face and the strategy for sustainability. Importantly, it will be accompanied by a fiscal sustainability delivery plan, so it will set out the actions that are being taken to address those risks, including on workforce, health and social care reform, social security, tax and growth.

The United Kingdom spending review is due in June. It could be material and it will provide clarity on future funding for the Scottish Government in the years ahead. Following that, the Scottish Government will be able to update the infrastructure pipeline with the revised capital assumptions that we will get from the spending review.

Taken together, the fiscal sustainability artefacts that make up the framework will all be published transparently to inform the committee's scrutiny, and to inform the Parliament's 2026-27 budget deliberations. Alyson Stafford, the DG exchequer, has been leading that process with Ms Robison, and would be happy to cover that more in today's meeting.

Public service reform is, of course, central to that, and the First Minister has set out his determination to redesign systems that are integrated, locally responsive and focused on improving lives. Mr McKee is leading the work to develop a renewed public service reform vision, supported by additional governance, and that will also be published in the spring.

That will be followed by the routine scheduled six-monthly update to the Parliament on public service reform before the summer recess. Joe Griffin has been working with Mr McKee on that revised vision and governance, and we would be happy to set out more of that today. It includes some of the key elements that the Auditor General touched on in his report, such as cashing benefits and scoring savings.

We have already published analysis from the programmes that we have set up on estates, digital, commercial and workforce, where we have been able to avoid costs and release savings. That is around £280 million over the past two years up to the end of the current financial year, and a projected £300 million in the next two financial years.

We are live with applications for the £30 million invest to save fund, which we can touch on if the committee wishes. We have set up a set of transforming digital programmes in cloud hosting, identity and payment services, and we have made progress on Oracle shared services. Those all provide foundations to build public service reform in the years ahead, and Lesley Fraser has been leading that work as part of the corporate transformation programme.

We have been trying to encourage and support empowerment for cost recovery and revenue raising through examples such as the tourism levy and the cruise ship levy, and we are currently live with a consultation on the general power of competence, all of which are core to the Verity house agreement.

We are also trying to roll out transformational programmes that affect how people experience public services and reduce demand. Having been piloted in Dundee and Glasgow, summary case management in the justice system is now rolling out across Scotland. The Promise continues, as does whole-family support, with investment that has been informed by pathfinder evaluations in

Dundee and Glasgow. All of those measures are seeking to prevent and reduce demand in acute systems and support better experiences for people.

There is a long legacy of public health reform to try to address health inequality. There will be a publication in the spring on the updated public health framework and, in March, the national health service team will set out an operational improvement plan to drive improvement in performance and productivity. The Government is intent on, for example, legislating for a tobacco-free generation to build on initiatives such as minimum unit pricing, the banning of single-use vapes and the piloting of safer consumption rooms. All of that builds on the budget that Parliament approved last week.

We have invested ScotWind funding for strategic purposes while avoiding drawdown in the current financial year, having balanced the budget. We have published the three-year pay policy. Resource borrowing is low, and capital borrowing is deployed for infrastructure and growth, managed within limits, with the fiscal envelope governed according to Scottish Fiscal Commission assumptions. Although pressure is high, the First Minister has made his allocative choices to reduce child poverty, grow the economy, reduce emissions and reform public services.

On tax, we published the tax strategy, and the SFC estimates that our income tax policy choices since devolution will raise an additional £1.7 billion in 2025-26, compared to if the Scottish Government had just matched the UK policy. On social security, we will invest £1.3 billion more than the block grant. On growth, according to the latest data, Scotland's economy grew 1.1 per cent in 2024, with unemployment relatively low at 3.8 per cent.

Taking all that together, we are determined to go further and faster on reform, to continue to build capabilities for preventative whole-system transformation and to improve long-term outcomes, and we agree that that will be fundamental to long-term sustainability.

We had a good conversation with Audit Scotland at our audit committee this week. There is an opportunity to continue to develop the public service reform programme. The team will be taking that forward, and we are grateful for your scrutiny, challenge and support in that regard. Thank you.

**The Convener:** Thank you very much indeed. We have questions to put to you over the course of this morning about many of the issues that you touched on in your opening statement. I want to go back to the report that the Auditor General

produced: do you accept its findings, key messages and recommendations?

**John-Paul Marks:** Yes, I do, and I have discussed the report with my executive team. We have had Carole Grant and the team at our audit committee, and I watched again the evidence that the committee took at its meeting with the Auditor General. A lot of important points were made there, but I will take the key summary recommendations. We agree that there is a need to publish a clearer vision, and that will happen in the spring. We agree that there is an opportunity to improve governance arrangements, and Mr McKee is going to chair a public service reform board. We are developing the quality of information by portfolio to demonstrate how PSR will contribute to sustainability, ready for the 2026-27 budget, so we agree with that recommendation.

On mandate letters, having published his programme for government, the First Minister has taken the decision to organise its deliverables in a dashboard, which we discuss as a Cabinet and executive team every other month, and that data is all captured so that he can track it accordingly. That is an improvement on the process of mandate letters, which was a bit of a static process. We also absolutely agree that equality and human rights, good evidence and evaluation should always be at the heart of good policy making, and we try to ensure that our impact assessments reflect that, but where there is scope to improve, we welcome the feedback.

**The Convener:** You have said that some publications will be produced over the next couple of months, and you have referred to the medium-term financial strategy. There was previous criticism from a range of parties, not least the Auditor General, that there did not seem to be any real reason why a medium-term financial strategy could not have been produced earlier. We have been told that there was a general election and then an autumn budget statement by the incoming Government, but the consensus seems to be that a strategy could have been produced.

Anyway, a strategy is coming out in May this year and there has also been reference to a fiscal sustainability delivery plan. Please give us a bit more detail about what level of information will be contained in those two pieces of work, why it is necessary to have two and what different roles they perform.

**John-Paul Marks:** I will let Alyson Stafford come in on that in a moment, because that work is under way and she is leading it.

I can reassure you about the decisions that were taken last year, which were based on advice and pre-election guidance that I gave to the First Minister. It was my view that a series of artefacts,

including his PFG, a green industrial strategy and an MTFS could not be published in the context of the UK general election because that would be contrary to the guidance. That was why that decision was taken. As you said, the UK election led to a significant change in the public spending outlook, which is now feeding into the MTFS that will come out in May.

I will let Alyson say more in answer to your question about the fiscal sustainability delivery plan. Ultimately, the MTFS will provide a long-term strategic view of the public finances. The Audit Scotland report does a good job of providing some scenarios, but we recognise the demand for more clarity about the actions that will be taken to ensure sustainability, which is the point of having the delivery plan as well to set out some of the more concrete actions that will need to be taken to keep within the central scenario for balancing the budget, which must be done.

**Alyson Stafford (Scottish Government):** We were ready to prepare and publish in May but, for all the reasons that the permanent secretary has set out, that was not possible. The general election was in July, during recess. The Cabinet Secretary for Finance and Local Government took the first opportunity to speak to Parliament, giving a fiscal update statement on 3 September that gave the context for the programme for government that was set by the First Minister on 4 September. Around that time, the Scottish Fiscal Commission gave what update it could, based on the information that was available, and everything was further refined when we got the UK autumn budget statement at the end of October.

I now come to your questions about what is expected in this year's medium-term financial strategy publication and in the fiscal sustainability delivery plan, why we have both and what the distinction is between the two. The medium-term financial strategy has become part of our architecture for fiscal publications. Our first one was published in May 2018 and we have been able to maintain a regular diet, although some dates were changed during Covid. We have established a format of consistently updating the medium-term financial outlook, so you can expect to see that outlook being set out again.

What you can see in the publication from May 2023 and can expect from the publication to come in May 2025 is some sensitivity analysis about likely funding levels. We know that those things will be directly impacted by the UK spending review in June, so the cabinet secretary has already committed to refresh the information as soon as we have the data from that June review.

09:45

We will use the best data that we have, and the fiscal event that will take place on 26 March, when the UK will update its fiscal numbers and the Office for Budget Responsibility will publish its forecast, will give us the next key milestone for the production of our data in May 2025. The medium-term financial strategy will set out the fiscal forecast and the best estimates of the sensitivity around those figures, which is something that we have done before. It will also set out our best estimate of the sorts of expenditure and expenditure pressures that are in the system.

Obviously, we know that we have to balance our budget each year, and each year we have done so. However, it is really useful to set out the nature of the environment in which we are working and those pressures. The May 2023 publication showed that there were real pressures and that they would have to be managed. Clearly, we went on to the end of 2023-24, and the scrutiny session that we had with you earlier this year showed how we balanced the books for 2023-24. We are on track to balance again in 2024-25.

The medium-term financial strategy will set out those elements, and we will consistently be updating any areas that are equivalent to any kind of fiscal rule that we can have in Scotland, such as our approach to borrowing and how the fiscal framework will operate for us—there was a refresh of the fiscal framework in the summer of 2023, by agreement with the UK Government at that time.

The MTFS will also be consistent—I think that that consistency is helpful—in addressing the issues with regard to the three pillars that we have been using consistently from 2023 in shaping our work. One pillar focuses on ensuring that public money is fully focused on delivering Government objectives—you will have seen that borne out in the budget for 2025-26. Another pillar focuses on economic policies and the actions with the greatest potential to grow and strengthen Scotland's economy. The third pillar, not surprisingly, focuses on ensuring that we have a strategic approach to tax—as the permanent secretary said, we published the tax strategy alongside the budget in December last year. Those three pillars will be absolutely key, and the next steps under those particular areas will be explained and set out for Parliament.

On the fiscal sustainability delivery plan, the link to the three pillars will continue. However, that plan will unpack a lot more around the components of that public spending. We have the tax strategy and our refreshed approach to economic strategy, and the fiscal sustainability delivery plan is about those components of public spending.

I anticipate that the components that we will be focusing on are likely to include the sustainability and reform of health and social care services, which this committee is interested in and will obviously be worked on in partnership with local government. There will also be a focus on the nature of the investment choices that the Government has been taking with regard to social security and the likely demand profile. A third area will be wider public sector reform across all sectors, which the report that we are discussing today touches on, with an approach involving looking at the issue through the lens of efficiencies, service design and prevention, which is another key element.

With regard to the report, the fiscal sustainability delivery plan will give us an opportunity to set out the specific actions that will be taken under each of those areas. On public service reform, clarity will be provided on the assumptions relating to workforce and pay over the medium term. The relationship with local government is key in all of that and in relation to how we collectively lead public services.

The fiscal sustainability delivery plan will also give us an opportunity to set out the link between what is in the report and what will come in the infrastructure investment plan refresh in the autumn, when we have the updated figures from the UK Government on capital, and also to touch on the really valuable area of digital transformation. As I said, all of this is anchored in the pillar that focuses on ensuring that Government spending is based on Government priorities.

I appreciate that that answer was quite detailed, but I hope that my full answer has shown what you can expect. There are two documents so that we can set out a lot more in relation to delivery over the medium term, which will work alongside the projections and forecasts on anticipated funding levels, with sensitivity analysis, and on the anticipated nature of the inevitable pressures that there will be, whether they relate to demographics, the geopolitical climate or inflation, which will be pertinent as we work through things.

**The Convener:** That was a very comprehensive answer—there is quite a lot to take in. It is only when we see written documentation that has been generated by that thinking that we will be able get a proper analysis of, and apply proper scrutiny to, what has been proposed.

Going back to what we do know, I note that key message number 1 in the report that we are considering this morning is, frankly, a criticism that the Government appears to be locked into a fairly short-term culture. That key message says:



“The Scottish Government continues to take short-term decisions, reacting to events rather than making fundamental changes to how public money is spent. This approach has so far been effective in balancing the budget”—

you made that point, Ms Stafford—

“but risks disrupting services at short notice and restricting progress towards better long-term outcomes for people.”

We have heard what you have told us, but what can you do to reassure us that there will be a change in culture from short-termism to at least medium-termism, if not long-termism?

**John-Paul Marks:** I am happy to be totally honest: we have been hit by a set of unprecedented shocks over the past few years, and we had to respond to them. Yesterday, I watched your hearing in which a number of members reacted to the fact that, under the fiscal framework, the Scottish Government has, for example, only so much flexibility to borrow for resource purposes. That flexibility is quite limited.

We have faced radical shifts in our operating environment and in-year funding position pretty much every year since I have been the permanent secretary. For example, in 2022, there was the peak of omicron Covid cases at the end of the pandemic, but then, all of a sudden, all the Covid consequentialities that had been provided were no longer there, although there was still that level of demand in our education, justice and health systems. Obviously, the first challenge related to how to recover from the pandemic after what was a once-in-a-generation shock.

In 2023, inflation hit unprecedented levels. That had huge, disruptive effects on public sector pay assumptions, so we had to make adjustments accordingly.

As Alyson Stafford said, last year, we were set to publish all the medium-term documentation, but then came a new First Minister, a UK general election and a significant change in public spending strategy from the new Chancellor of the Exchequer.

It is right that we reacted to all those events and shocks. Of course, when we can, we seek to put in place contingency plans to prepare for shocks, but, at the same time, we are determined to squeeze every pound out of the budget to maximise its impacts.

There is no doubt that, during my time as the permanent secretary, there has been a set of in-year shocks to which we have had to respond. However, this committee will always, quite reasonably, hold us to account for balancing the budget, which is non-negotiable—it is a legal requirement. We have balanced the budget every year, and we are about to do it again this year.

However, I agree that we want to do that in a way that minimises disruption and maximises impact.

There are encouraging long-term trends across our systems. Earlier, I alluded to the relatively low unemployment rate in Scotland compared with that in the rest of the UK. Our economy grew faster than the economy in the rest of the UK did in 2024. Child poverty rates in Scotland are lower than those in the rest of the UK. We are making progress on those issues. Across a set of long-term outcomes, we have protected investment in, for example, expanding the Scottish child payment to under-16s while balancing the budget and facing those shocks. Clearly, it would be easier if those shocks did not exist, but we have to balance the books.

**The Convener:** My reading of what has been included in the Auditor General’s findings is that he thinks that there should be a strategic shift and a cultural shift. There seems to be a culture of reaction rather than proactivity. Whether that is in the context of the fiscal sustainability part of the report or in the context of the public service reform part of the report, that seems to be a common thread.

I have a further point to make before I invite other committee members to come in. In what I thought was a very informative response to the key messages in the report, the main findings and the recommendations for action, you mentioned that you fully embraced the need for equality and human rights impact assessments of decisions that are made. How do you persuade me that it will be different this time? In exhibit 10, the report before us reflects the fact that, back in August 2019, the Scottish Government produced a set of key questions that decision makers must ask themselves when they are setting budgets:

- “1. What outcome is the policy and associated budget decision aiming to achieve?
2. What do you know about existing inequalities of outcome in relation to the budget area?
3. How will your budget decisions impact different people and places?
4. How will your budget decisions contribute to the realisation of human rights?
5. Could the budget be used differently to better address existing inequalities of outcome and advance human rights?
6. How will the impact of budget decisions be evaluated?”

Those are all long-established principles that the Government has set itself, yet the report lays bare the pretty woeful attempt to incorporate equality and human rights impact assessments in any decisions about budgets that are being made.

You have told us that you agree with the recommendation on that aspect and that things will be different, but that seems to be a long way from the experience that we have had so far.

**John-Paul Marks:** I will go through the impact assessments that we published with the budget. We published the public sector equality duty, which was covered in the “Equality and Fairer Scotland Budget Statement 2024-25”, as well as the children’s rights and wellbeing impact assessments, the consumer duty and the carbon assessments. We continue to ensure that island communities impact assessments are undertaken through the budget process, where it is necessary to do so, and to publish them.

Alyson Stafford might say a bit more about how we worked with ministers to provide assurance that all measures that are going into the budget as part of the policy development process have gone through that scrutiny. I might be getting this number wrong, but I think that something like 55,000 words of impact assessments have been published alongside the budget.

**Alyson Stafford:** Yes, that is correct.

**John-Paul Marks:** That is more than the UK Government publishes for its budget. A huge amount of work is going into evaluating and understanding impacts, and to publishing that. I agree and I appreciate that, for the Auditor General and for the committee, there is a desire to see more, or to see how decision making is being affected in a clearer way.

The point was made regarding what the Welsh Government is doing to integrate its impact assessments, so that less is more. We had that discussion in our executive team this week, so that is an opportunity going forward.

To suggest that there is not an attempt to optimise impacts is not fair. All the time, our ministers are pushing for the best advice that they can get, given the evidence, to achieve their outcomes, whether that be reducing child poverty, growing the economy, reducing emissions or transforming public services. We are happy to keep improving that process, but a huge amount of work currently goes into it.

**The Convener:** If you will forgive me for saying so, “Less is more” also applies to some of the answers that we have been getting. We want concise responses to the questions that we have put to you and that we are going to put to you. That there are 33,000 words in the assessments is all very well, but when it comes to decisions that are being made about the delivery of public services, it is not at all clear to us on the evidence that we have taken—not just on the report that is before us but in general—whether there is a granular analysis of the difference that will be

made to, for example, groups that are further away from getting access to public services.

We will review the 33,000 words in due course, but I think—

**John-Paul Marks:** Fifty-five thousand.

10:00

**The Convener:** Fifty-five thousand. I am sorry—less is more, as I keep saying. I am trying to take you at your word. We might get it down to 11,000 before the end of the meeting.

My point is that the fact that there are lots of words does not answer the point that is made both in the report and in some of the other evidence that has been presented to us, which is that insufficient attention is paid at the ground level—not as a retrospective add-on—to budget decisions, which is what we are speaking about in this context, and how they affect different groups in society differently.

We might return to some of those themes, but I will move on and invite Graham Simpson to put some questions to you.

**Graham Simpson (Central Scotland) (Con):** I agree that you should not really brag about the number of words that you have written—the important thing is what you write, not how much you write.

I will ask a quick question on the medium-term financial strategy. It requires a quick answer. What period will it cover?

**Alyson Stafford:** It will cover a five-year period.

**Graham Simpson:** A five-year period. Good.

I will ask a question of you, Mr Marks, because—surprisingly—you mentioned the cruise ship levy in your opening statement. I speak regularly with people in the travel sector, and did so last week. There is real concern about the cruise ship levy and its potential impact. The cruise sector is becoming a success story for Scotland, so there are fears that the levy could impact on it. Have you heard those concerns? What analysis have you done, and what conversations are you having with the sector?

**John-Paul Marks:** When I have visited communities, I had those conversations about the opportunity of the cruise ship industry, which you have mentioned and which we want to continue to encourage. I was at the Stornoway deep-water port and looking at that transformation and opportunity. On the other side of the debate is the clear concern about the impact on infrastructure, on community services and on public services. It is about getting the right balance between that and the opportunity to generate some revenue to

support investments in those communities. The team that is working on that will, of course, talk to all the different stakeholders, as will the ministers who are involved.

It comes back to that point about understanding the impact and getting the balance right. The tourism levy is another example of our trying to empower local systems so that revenue can be raised to cover local costs where it is appropriate to do so—and, as you have said, in a way that will not cut off demand but be proportionate and support the industry, because it will support the growth and sustainability of the local community. That is the balance that we are trying to strike. The team that is engaged with the sector will do those impact assessments and ensure that they are available to Parliament.

**Graham Simpson:** You accept, therefore, the potential risk that bringing in the levy could mean a loss of trade, if you like, for parts of Scotland.

**John-Paul Marks:** As with everything, there is a need to be thoughtful of any behavioural response when introducing a tax or a levy. You need to look at the evidence, understand the impact, engage stakeholders and have that debate. That is the normal consideration. For what it is worth, given the growth in cruise ship visits into Scotland and the need to invest in local infrastructure to meet that demand, the cruise ship levy is a creative way of empowering those communities to make that choice if they wish.

**Graham Simpson:** Will you give us a bit more detail on the invest to save fund that you mentioned?

**John-Paul Marks:** Audit Scotland set out in its report the view, which we have heard, too, that public sector leaders would appreciate such a fund and the opportunity to bid in with propositions for generating cashable savings and improving experience and outcomes, and ministers have managed to ensure that that was part of the budget. The applications are live. They will be evaluated in March, and the intention is for those that are successful to go live quickly in the next financial year. Joe Griffin and the team are working with Mr McKee on that, and I am happy to provide more details, if that would be helpful.

Do you want to say any more about the invest to save fund, Joe?

**Joe Griffin (Scottish Government):** You have set out the headlines. I do not know whether you have a particular line of questioning, Mr Simpson.

**Graham Simpson:** What kinds of bids are coming in?

**Joe Griffin:** The call went out to a range of different organisations, public sector bodies and so on. Some of it was an attempt to respond to the

line of inquiry in the Audit Scotland report about the obstacles that public bodies have told us get in the way of reform. Therefore, I expect some of the bids to seek to address some of the obstacles that people have highlighted. However, I have not seen any of the bids yet—the closing date is Friday.

**Graham Simpson:** It is mainly public sector bodies that are involved.

**Joe Griffin:** That is correct.

**Graham Simpson:** Okay. The Auditor General told us a bit more about how the Welsh Government undertakes forecasting and reporting at the evidence session that we had in December, and we were told that it

“published a strategic integrated impact assessment that looked at the impact that reductions in spending might have on different groups.”—[*Official Report, Public Audit Committee*, 5 December 2024; c 7.]

Is that something that you are looking to copy or adapt in some way?

**John-Paul Marks:** As I said, the executive team met last week to have this conversation and look at what Wales is doing. We recognised the point that was made with regard to our current approach to impact assessments, and we looked at whether a more consolidated view might actually deliver more insight for fewer words and less effort, if you like. The process that we have in Scotland has grown up over the years, and there might be an opportunity to refine it. Therefore, there is an opportunity to look at that issue and give advice to ministers on what a different approach could look like.

Alyson, do you want to add to that?

**Alyson Stafford:** As you said, the approach in Scotland has built up over years and, in fact, different elements of it have been subject to scrutiny by different committees in the Parliament. It would be a matter of whether this actually worked. Our approach is extremely comprehensive, and the question is one of integration and whether this would add any particular value. The permanent secretary is absolutely right: it is worthy of advice to the cabinet secretary and the Cabinet as a whole, although we should recognise that such an approach would potentially need to be brokered with some committees in the Parliament, given their particular lens on our expenditure.

**Graham Simpson:** It seems a pretty obvious approach, though, does it not? If you are going to reduce spending, you might as well look at the impact of doing so. I am surprised that it has not been done before.

**Alyson Stafford:** As the permanent secretary has said, impact assessments are done for each area, working with the cabinet secretary for each

portfolio. Each year, when we look at the overall budget settlement, impact assessments are done, and in order to strike a balanced budget, each portfolio will continue to assess the areas of work that are most aligned with Government priorities and areas that are less pertinent, simply because the context has changed. Those impact assessments take into account the policy and delivery decisions that have been made and the discussions that have taken place in each portfolio, and they are published alongside the budget to make all that transparent.

**Graham Simpson:** Thank you.

I am now going to ask you about ScotWind; other members might have questions about it, too. I do not know whether you have seen the letter that the Auditor General wrote to the committee on 18 December, but I will quote from it. He says:

"It is not clear from our papers how the ScotWind monies have been used in each of these financial years and whether this is consistent with the earlier intentions, expressed throughout 2022, for this money to be invested in addressing the climate and biodiversity crises."

What is your response to that?

**John-Paul Marks:** In the latest budget, which Parliament has just approved, a significant proportion of the ScotWind income has been invested for precisely those purposes. The total expenditure forecast in 2025-26 is £364 million. Some examples of that, in line with the objectives that you referred to, include supporting capital investment in offshore wind, nature restoration, energy and transition funds and the additional £25 million allocated to support a just transition at Grangemouth. That totals £184 million—a significant proportion of that investment.

Additional moneys are also set out in the budget for connectivity for Orkney and Shetland and for local climate responses from local government. On biodiversity, there is a set of investments totalling around £30 million, including for peatland restoration, woodland creation and low-carbon transport.

Audit Scotland recognised the opening balance of the fund as being £756 million. The budget invests £364 million, so we have retained £350 million that is still unallocated. I know that the Auditor General suggested providing the committee with a written consolidation and we are happy to do that so that you can see what has been spent in which years and on what, as well as what remains in the fund. You asked about climate and biodiversity objectives. The intent in the budget has been to ensure that the money is invested strategically to support investment infrastructure and that is exactly what Ms Robison set out to do.

**Graham Simpson:** It would be useful if you could give us that written consolidation.

It is fair to say that some of the ScotWind money went to fund pay deals. Is that correct?

**John-Paul Marks:** No. In the past two years, 2023-24 and 2024-25, the spend on ScotWind has been zero, so we did not need to draw it down. In the emergency budget in 2024-25, that was a risk, because of shock caused by the level of recommendations from the pay review bodies and because pay deals were concluded at a level above our public sector pay assumptions. Ultimately, we received late consequentials that covered that, so the ScotWind money was not drawn down.

There was a £96 million drawdown on ScotWind in 2022-23. That was not specifically in regard to pay deals, but it was part of the overall budget in that year.

**Graham Simpson:** If we look at pay deals, which are covered from paragraph 38 onwards of the Auditor General's report and in exhibit 5, we see that some of them are frankly unsustainable. How will you be able to fund those in future years?

**John-Paul Marks:** As Alyson Stafford set out, the MTFs will give a long-term forecast for the pay bill and the delivery plan will show the choices that the Government is making to afford those pay deals. As you say, they are consolidated and must be afforded. They are an allocative choice that the Government has made historically.

I can take as an example the pupil teacher ratio in Scotland, which sits at around 13, compared with about 18 across the rest of the UK. That means that we have smaller class sizes and have more teachers available to support attainment. That is a policy choice. Ministers are transparent about it to Parliament and it is funded accordingly. Our pay bill is a function of the size of our public sector pay deals and, as you say, it must be planned for and afforded within the budget. It is an allocative choice.

10:15

**Graham Simpson:** I am going to ask you about net zero next. I will read paragraph 18 of the Auditor General's report to you:

"The Scottish Government's target of achieving net zero by 2045 is also placing pressure on its finances, and will continue to do so ... The Scottish Fiscal Commission estimates that, in order to meet its climate objectives, the Scottish Government will need to invest an average of £1.14 billion of additional capital spending annually until 2049/50. However, the Scottish Fiscal Commission has also forecast that the capital funding that the Scottish Government receives will have fallen by 20 per cent in real terms by 2028/29. This will place significant pressure on other areas of capital spending."

Do you accept that analysis?

**John-Paul Marks:** The Parliament recently passed a revised climate act to reset the approach to those targets. I accept the analysis of the scale of the challenge, but it is what we do to respond to that challenge that matters. For example, I reference the ScotWind income that is being invested in offshore wind and the work of the enterprise agencies and the Scottish National Investment Bank to crowd in investment from the private sector to accelerate our transition to net zero.

We have broadly halved emissions since the 1990 baseline and there is clearly a lot more to do. The clean energy mission to 2030 that the UK Government is driving will also be material, but in the 2025-26 budget, the Scottish Government committed £4.9 billion of investment, with a positive benefit for the climate. It is one of the First Minister's top four priorities and we will set out to the Parliament the revised climate change plan that will set up the next steps that need to be taken.

As you say, however, we need to crowd in investment, it needs to be affordable, we need to measure progress and we need to do everything that we can to accelerate innovation, including things such as carbon capture and storage, the shift to offshore wind and the decarbonisation of industry. There is no doubt that the journey to 2045 is going to be significant and complex, but ministers are determined that it is the right strategic objective and we need to do everything that we can to meet it.

**Graham Simpson:** It might be the right objective, but the point that the report makes is that hitting that objective will take a lot more money than is likely to be there. That is the nub of it, is it not?

**John-Paul Marks:** That depends on the extent to which you can innovate, crowd in private investment and incentivise behavioural shifts without depending so much on public investment. Yes, there is a significant requirement. I have referenced the £4.9 billion in 2025-26. We will get revised capital assumptions for the next few years from the UK Government in the spending review, and that will give us a sense of what is affordable in the next spending review period.

It will be imperative to continue to innovate and crowd in investment so that the transformation is not just borne by the taxpayer. We need a whole-economy, whole-system transformation.

**Graham Simpson:** A number of other areas that are covered in the report also face potential challenges. Exhibit 3 shows them quite starkly, and the report says:

"By the end of 2028/29, the Scottish Fiscal Commission expects the Scottish Government will spend £1.5 billion more on social security than it receives from the UK Government."

Paragraph 16 says:

"The spending pressures the Scottish Government and the wider devolved public sector face are expected to worsen in the long term. The Scottish Fiscal Commission has projected that total spending on devolved public services would increase by 123 per cent in today's prices to £120 billion by 2072/73".

The Auditor General is really stretching things there; I am not sure how he can look that far ahead, but that is what the report says. Health is also covered. That faces similar challenges. Do you accept that those challenges exist across a whole range of spending?

**John-Paul Marks:** Yes. One of the main structural drivers of that fiscal sustainability risk is the fact that we operate a different economic and social model in Scotland. All of that is born of good evidence, and there are good benefits from it. However, the more we diverge from the rest of the UK, the more we need to understand that long-term risk and plan well for it.

For example, we understand that we have a bigger public sector in Scotland and a higher pay bill. A lot of that has to do with deliberate choices that the Government has made—for example, on class sizes.

We also have a different social security system. You are right to call out the fact that, through new benefits—the removal of the two-child cap, winter fuel payments and the Scottish child payment—the delta relative to the rest of the UK is growing. The welfare budget, generally, is growing across the UK, but it will grow faster in Scotland because of those additional benefits.

The final thing is the social contract. We have a more universal social contract in Scotland compared with the rest of the UK.

We need to make choices within our budget to make provision for those three factors—the pay bill, social security and the social contract. They are demand led, so they have to be paid for, as you said. That is the allocative choice that the Government has made. It means that child poverty and unemployment are lower and earnings are higher. There are positive benefits from having lower class sizes and more police per capita, but choices are needed to make that affordable.

One of the main choices is on income tax. We have made that choice in recent years, and it brings in additional income over and above what that would be if we had made the choices that are reflected across the rest of the UK.

The artefacts that Alyson Stafford has set out—the MTFS and the sustainability plan—will be

important, because they will give you the opportunity to ask, given those long-term trends and the differences relative to the rest of the UK, what long-term choices the Government will make to continue to balance the budget, as it has managed to do in recent years.

**Graham Simpson:** To bring all that together, if we accept that there are funding gaps—for social security, the figure is not too distant from being a very big funding gap, and we have spoken about pay deals—and if the Scottish Government is to make such policy choices, which I accept are not yours but those of ministers, it will have to look at making savings or cuts in other areas, will it not?

**John-Paul Marks:** The Government has to balance its budget. That is material and unavoidable. It is a legal requirement and an annual process. As we have reflected on in all our meetings over the years, we have done what we have had to do to achieve that.

You pointed to social security. The forecast expenditure on social security for 2025-26 is £6.8 billion; that involves an additional investment of just under £1.3 billion. By 2028-2029, the total expenditure is forecast to be £8.4 billion, but the additional element is just under £1.6 billion—compared with just under £1.3 billion now. That is £300 million of additional expenditure on social security, compared with what the UK Government is doing, by 2028-2029. It is material but, I judge, manageable. That is a choice for ministers. They have a number of choices, which, again, they can set out in the MTFS, to balance the books accordingly. That reflects the priorities that ministers want.

The First Minister is determined to further reduce child poverty in Scotland, so the measure to remove the two-child limit was a fundamental choice that was at the heart of the latest budget. The Government's MTFS will set out the long-term forecast on social security and the delivery plan to afford its choices. Finally, the more that we diverge from the rest of the UK, the more the UK Government's choices will have a material and immediate effect on our public finances because of our dependency on the block grant—a recent example of that is the winter fuel payment. We need to look with caution at the effect of the UK Government's spending review, because it is possible that there will be further divergence, which will need to be paid for.

**The Convener:** I will move things along now. I invite Colin Beattie to put some questions to you.

**Colin Beattie (Midlothian North and Musselburgh) (SNP):** I want to look at a few aspects of the Scottish Government's approach to financial management. Paragraph 54 of the Auditor General's report lists a number of

measures that are being taken by the Scottish Government to manage risk. The Auditor General also says that those measures are "not enough" and that

"Progress towards fiscal sustainability may require a more radical approach".

Do you accept his assertion that a more radical approach is required? What would that look like?

**John-Paul Marks:** I accept the point about risk. Audit Scotland attends our audit committee. Fiscal sustainability is a high risk for us and it requires mitigation. I have spoken about some of the steps that we have taken over recent years to mitigate the risk, such as the measures that we have taken in-year through our emergency budget review, tax reform and the public sector reform programme.

**Colin Beattie:** Could you confirm that you accept the Auditor General's assertion that a more radical approach is needed?

**John-Paul Marks:** I pause on the word "radical", because I do not know exactly what the Auditor General means.

**Colin Beattie:** I was asking you that.

**John-Paul Marks:** I know. I have had a conversation with my team about that. The Auditor General's report makes a point about collective leadership on reform. Last month, Mr McKee held a summit with 150 public service leaders and said that we need to be more radical in public service reform. That is the minister's view, which I agree with. For example, in the digital transformation of our public services—Lesley Fraser may want to say more about our digital programme—we have stood up a set of common platforms on identity, payments, cloud hosting and other enablers that can be reused across Scotland's public sector. A number of public bodies, such as National Records of Scotland and Disclosure Scotland, are using shared services to accelerate transformation and reduce cost. I think that there is an opportunity to go further and faster with that.

**Colin Beattie:** Do you consider that to be radical?

**John-Paul Marks:** Well, it is, compared to what Scotland has done to date, which has been quite federated, without single reusable digital platforms or a digital strategy for a digital nation. Countries such as Estonia and Denmark have made really good progress on that. Our capacity to adopt artificial intelligence in our operating systems in order to automate manual processes and accelerate improvement in the efficiency and effectiveness of the services that we deliver will be fundamental to a more radical approach that accelerates the adoption of technology. A digital-first mantra for public services could have a huge effect. For example, we have recently rolled out a

programme for digital dermatology, which has enabled people to be supported to be more rapidly diagnosed in their own homes, without having to go into the acute system. Technology provides a huge opportunity to reduce demand and improve efficiencies.

**Colin Beattie:** What you are saying sounds logical. It does not sound all that radical.

**John-Paul Marks:** It is quite a complicated thing to do—

**Colin Beattie:** What is radical? What do you consider to be radical? What radical approaches are you looking at?

**John-Paul Marks:** I consider moving to a digital-first operating model for public services that seeks to radically accelerate digital adoption, the use of common platforms, the sharing of data and the enabling of users to meet their needs in their environment rather than going into an acute system to be an essential part of transforming public services in the years ahead. Whether in the national health service or VisitScotland, which is working to digitise its public services, close buildings and reduce its head count, we are seeing a huge amount going on across public bodies to increase digital adoption and accelerate the reform. As I say, countries such as Estonia and Denmark have demonstrated how a national digital strategy can be highly effective in delivering exceptional public services. Scotland is well on its way, but we have to accelerate the journey and continue to invest in the platforms.

10:30

**Colin Beattie:** I assume that the Auditor General has looked at what you are doing at the moment, including what you have just described. He said that those measures were not sufficient—he used the words “not enough”—and that there had to be more radical approaches. So, I assume that the Auditor General wants you to go a step further than that. What would that look like?

**John-Paul Marks:** I will bring in Lesley Fraser to say more about what going further and faster on some of that corporate transformation would look like, because I am at risk of repeating myself.

**Lesley Fraser (Scottish Government):** To be fair, I do not think that the Auditor General delved into digital very much in that report, but we see real opportunities there. To give you some examples, Food Standards Scotland is a body that, very importantly, regulates the quality of the food supply chain. It is working with us at the moment and using elements of our identity platform, our payments platform, and the ways in which we can link businesses and regulators together. It is using those components to be able

to digitise its service. Many of the same components are being used in Disclosure Scotland, for example. That is a very different organisation, but it also relies on being able to make payments and to check identity, and so on.

That way of linking up and using common components across a range of different services enables us to get benefits at scale in terms of costs and, importantly, much-improved outcomes for citizens who are expecting to be able to operate things from their mobile phones and to do business digitally. I think that some of that genuinely is radical. One of my favourite examples is the journey that Registers of Scotland has been on as an organisation, literally coming off paper and, in some instances, off vellum during Covid and starting to use the cloud. They now have entire services that are digitised end to end. That means that people are not only getting a much faster service, but a service that suits them and that they can engage with digitally. Registers of Scotland is getting great feedback from customers, which is really important. So, the opportunities within Scotland for us to accelerate some of those areas are precisely what I see as our more radical opportunities.

**Colin Beattie:** What you are talking about makes absolute operational sense, will bring efficiencies and is clearly something you would want to do. To me, radical means something more off the wall that will be a step change in the way you do things, as opposed to ramping up what you are doing and making that more efficient. That takes us back to the definition. What is radical? Different people have a different idea in their minds.

**Lesley Fraser:** It is the underpinning way in which we are working that is potentially radical. Rather than Food Standards Scotland deciding to go out and procure what it needs and Disclosure Scotland doing the same, we are working together, combining our requirements, and then purchasing, as it were, once for Scotland, and then deploying and redeploying those common components and common ways of working. There is a lot more standardisation in terms of toolkits, for example.

The same applies in the world of procurement. Our common collaborative procurement frameworks are enabling us to buy data and mobile devices once across the public sector, which results in a great deal of cost avoidance for public bodies generally.

The radical nature of the work is in the how of what we are doing. As you say, a lot of what we are doing is very sensible. We are looking at what business is doing and seeing how and where that applies to the public sector. Doing things once across the public sector is quite a departure for us.

**Colin Beattie:** I will leave the concept of radical to float out there for a bit and I will move on.

In the process of developing the 2024-25 Scottish budget, not a single portfolio accountable officer could provide an assurance that they would be able to fund their existing commitments with the initial allocations. That situation was eventually sorted out, but is it not fairly unique that not a single accountable officer was able to provide that assurance in the first instance?

**John-Paul Marks:** As you will recall, Mr Beattie, the 2024-25 budget was very, very difficult. It was the last year of the previous UK Government and the last year of the Bute house agreement. Getting to a point whereby the budget was reconciled—balanced for the Parliament—was difficult. That has been pretty widely reported already, so hopefully that is not too much new news.

You used the word “initial”—as you say, it was the initial budget allocations. Alyson Stafford might say something about the process that we stepped through. We try to set a level of challenge at the initial allocations stage to get options on the table for ministers about what it would take to live within a revised envelope. However, we then step through a whole process, in which Ms Robison will hold bilateral meetings with cabinet secretaries, and agree her tax policy and her tax choices. If I recall correctly, it was in that budget that we introduced the new tax band for income tax. We made choices in that budget to raise revenue, which would have addressed some of those pressures. Alyson, do you want to add anything?

**Alyson Stafford:** The permanent secretary has summarised the process well. The point is that those were the initial allocations and, from the point of setting out the initial allocations for each portfolio, there is then an iterative process. The initial allocations provide a framework and start the discussion about relative priorities, including about the fact that some people are implementing change in their areas, in some of the ways that Lesley Fraser described, and other areas where that is not so much the case. There is discussion and debate, including at cabinet level, about the overall shape of the budget and the priorities that people wish to deliver. There is also recognition that choices have to be made—not only in portfolios but across portfolios and across the budget as a whole—about the balance of tax and spend and, in a very limited way, borrowing, when it comes to capital programmes. So, those are the elements that are brought together.

That iterative process also has an eye on what is happening with regard to achieving a parliamentary consensus. In 2024-25, there were already agreements that could be settled to achieve a parliamentary majority. A very different process happened in 2025-26, which involved a

process of working things through with portfolios, as we have described, but also a really open dialogue with a range of parties in the Parliament as to the important areas of common cause that could be landed in order to set a budget for 2025-26.

**Colin Beattie:** Was 2024-25 the first time that all the accountable officers were unable to sign up to the budget that they were given?

**Alyson Stafford:** In the initial stages, there will always be areas in which people feel that they can address, within their allocation, what they see as the priorities that are coming from the Cabinet, but there might be areas in which they cannot. An initial allocation stage absolutely flushes out any areas in which there might be some co-dependencies, so that if something happens in a certain portfolio, other things can be done elsewhere. The initial allocation stage is just a start. That is not particularly uncommon as part of a process of finally landing on a budget that achieves the overall Government priorities and that can be delivered.

**Colin Beattie:** Was it the first time that that had ever happened?

**Alyson Stafford:** No.

**Colin Beattie:** Is that common or normal?

**Alyson Stafford:** I do not know whether you would ever say for any budget process that something was normal because there is always something that is very different for each budget that is presented. The context is absolutely everything. I would say that that is a natural part of the iteration needed to get to a budget that achieves the outcomes overall, makes the best of the different priorities and the elements in which there is some degree of compromise, and lands on something that is a good sustainable match between the funding that is coming in and the expenditure that needs to go out.

**Colin Beattie:** For 2025-26, did you follow the same process? Were all the accountable officers, again, unable to sign up initially?

**Alyson Stafford:** There was a mix—some felt that they could sign up and some needed further discussion. That iteration will continue and will take place through the Cabinet Secretary for Finance and Local Government discussing with her cabinet secretary colleagues what things are most pertinent and the most important to be delivered, how those are best matched and the nature of the savings and efficiencies that that portfolio can deliver to ultimately live within the settlement that is there.

**Colin Beattie:** In recent years, there have been fairly frequent in-year budget changes to respond to emergency situations, funding issues, and so



on. How does the Scottish Government ensure that those changes in spending are reflected in the stated priorities of the Government?

**Alyson Stafford:** As the permanent secretary said, those in-year changes are a response to events such as inflationary shock, geopolitical factors—including the supply chain issues generated by the situation in Ukraine—last year's pay review bodies coming out with figures that were much higher than expected or set out in pay policy, and any consequentials to support those costs coming much later in the year.

The in-year decisions on where those elements can go through are very much worked through in a pragmatic way. There is a high expectation that the areas that are most pertinent to the Government's key priorities will be protected as much as possible. That is what you would expect and that is very much the sentiment behind the process that is used when making those in-year decisions. Each accountable officer will work through that with their cabinet secretary, and the transparency around that is all brigaded together by the finance secretary, who sets it all out. Any adjustments to the shape of the budget are formalised and authorised through the autumn budget revision and the spring budget revision that take place during the year.

**Colin Beattie:** Thank you.

**The Convener:** The deputy convener, Jamie Greene, will put some questions to you.

**Jamie Greene (West Scotland) (Con):** Good morning. Permanent secretary, after your opening comments, when asked if you accepted the key messages, findings and recommendations of the Audit Scotland report, I believe that you said that you did, in their entirety. Is that correct?

10:45

**John-Paul Marks:** Yes. I went through the recommendations up front and listened to your evidence session. We accept and are responding to the headline recommendations, which are to set out a clearer vision, support collective action on reform, improve the quality of information to support analysis for the 2026-27 budget, learn from mandate letters—I hope that I have explained that we are taking a dashboard approach with the Cabinet—and continue to ensure that equality and human rights impact assessments are informing policy choices and policy development.

**Jamie Greene:** Excellent. I am glad that you accept the recommendations.

Let us look at the key messages in the Audit Scotland report, which sit in the opening pages—pages 3 and 4—and set out what I would say is quite stark criticism of the Scottish Government. I

will use the language of the Auditor General's report, which uses phrases such as

"The Scottish Government ... has not yet set out a clear vision of how it will change public service ... models ... It does not ... have a good ... understanding of its cost base or made progress against audit recommendations",

it

"has not provided the necessary leadership to public ... bodies to ... deliver ... reform"

and it

"has not been sufficiently transparent with the Scottish Parliament or the public about the current fiscal situation."

Are those assertions correct?

**John-Paul Marks:** As I have explained, the minister with responsibility for public service reform will publish the vision for public service reform by the end of May—I think that that is what we are aiming for. After the new First Minister was appointed last year, Mr McKee was put in as the minister with responsibility for public service reform, so he is leading and driving that through.

On collective leadership, Mr McKee held a summit with 150 public sector leaders last month and, on transparency, we have set out why we did not publish the MTFS last year and why we are on track to do so this year. We are addressing the challenge to us on setting out transparently the long-term forecast and the plan to address it—ministers have set out to the Parliament their intent to do that. However, the Auditor General is within his rights to say that it is important that that happens, and we agree.

**Jamie Greene:** Do you not think that, after more than 17 years of being in power, this Administration would have learned how to govern and not to have to face such stark criticism from the Auditor General? These are fundamental criticisms of how the Government manages public finances, are they not?

**John-Paul Marks:** It is important to look at the whole report. When I watched the Auditor General give his evidence—I watched it back yesterday—I noted that Mr Beattie and other members reflected on the fact that we have balanced the budget every year under devolution and that, in recent years, we have done so in the face of significant shocks. To do that, we have had to take choices that, in a perfect world, one would clearly prefer not to take, but it is important that we do that because we have a lawful requirement to balance the budget.

I am confident that the funding envelope that has been used to govern the latest budget has been well managed and well governed and is based on prudent assumptions from the Scottish Fiscal Commission. Resource borrowing is very low, capital borrowing is appropriate and well

managed within proper limits, and the budget has been prioritised based on the priorities of the new First Minister. The programmes that we are delivering against those top priorities are working—for example, child poverty in Scotland is lower than what it would otherwise have been, and the long-term trend for child poverty compares well with trends in the rest of the UK.

The economy grew faster in 2024 in Scotland than in the rest of the UK, and unemployment is lower in Scotland than in the rest of the UK. We have balanced the budget this year without drawing down on ScotWind. The Auditor General is reasonable in calling out the risk that we might have to do that, but we have not done it. In this budget, due to the measures that we have taken to control public expenditure, ScotWind income is available for investment. I am confident that the Government will balance its budget again in 2025-26.

It is quite true that the long-term fiscal outlook is challenging—that is true across all of the UK. The chancellor will set out her view on all of that to the UK Parliament, and then in her spending review, and it will be necessary for the Scottish Government to prioritise accordingly. I think that the Government has a good track record of doing that in the past, and it will do so again.

**Jamie Greene:** You mentioned that the Government was, thankfully, able to draw down some of the money from ScotWind, but that was a one-off event. That is not a sustainable way to draw on public finances; it is a bit like dipping into your credit card rather than managing your finances properly. That point has been raised by other members.

The Auditor General makes that really clear in the opening pages of his report. The second line on page 8 says:

“The Scottish Government cannot afford its current spending choices”.

The report makes it clear, in black and white, that the spending choices that the Government is making are unsustainable and unaffordable. The report goes on in great detail to demonstrate why that conclusion has been reached. Is the reality not that ministers are simply spending more money than they have, and that the current levels of public spending are unsustainable in the medium to long term?

**John-Paul Marks:** The Auditor General made it clear that we have been given an unqualified opinion in the latest annual report and accounts. We have balanced the budget again, and I am pleased that we have done it without that—

**Jamie Greene:** You have balanced the budget now by making in-year cuts. I will come on to

some of those cuts in a second. You have frequently mentioned that you have balanced the books. That is wonderful—and you have a legal obligation to do so—but the means of achieving that are to the detriment of public services. As the report says, ministers are spending more than they have to spend. The money has to come from somewhere.

**John-Paul Marks:** I do not quite follow the logic. The point is that they are not spending the money, because they balanced the budget.

**Jamie Greene:** The logic, permanent secretary, is the deficit that exists.

**John-Paul Marks:** My point is that, under the current budget, there is no deficit, and we have balanced the budget. I agree with your point about ScotWind and recurring pressures. We have not had to draw down on ScotWind.

I agree, as principal accountable officer, that if ministers were improperly overspending on the budget, that would be irregular. It would be unaffordable, and I would need to seek their authority to proceed with that expenditure. That has not occurred, because ministers have balanced their budget. Under devolution, that is the experience every year to date, and my expectation is that that will remain the experience in future years.

That is not to ignore the point about pressures. You are right that the pressures are there. I set out some of them, and they are structural, to an extent: the public sector pay bill, social security and the social contract. The Government needs to make allocative choices to live within its envelope, and it has a good track record of doing that well in the past. Where we have made “cuts”, as you describe them—I might describe them as prioritisation choices—we have prioritised the budget to balance it. That is good government; that is what ministers should do.

**Jamie Greene:** The problem is that they are in-year cuts. Portfolios that are expecting a certain amount of money to perform their functions and meet their objectives are discovering, through spending reviews, either that capital investment projects are being halted or paused, or that there are massive revisions to their budgets.

Exhibit 4 on page 14 of the report has some prime examples of the portfolios that were losing out over the financial years 2022-23 and 2023-24 as a result of in-year changes. This goes back to Ms Stafford's point about the Government's priorities. I imagine that one of the key pillars concerned economic growth and finding other ways to generate funding for public services that do not involve tax increases and borrowing.

Looking at the losers in the scenario presented by the table, we see that enterprise, trade and investment, the Scottish Funding Council, learning and energy efficiency and decarbonisation are all receiving funding decreases as a result of that objective of balancing the books. At the same time, that money is being shifted to a massively rising health and social care budget, local government pay awards and pensions. The public are clearly not seeing the immediate benefit of those, but they are seeing the immediate effect of the cuts to those services. In what way is that helping to meet the Government's key pillars and objectives?

**John-Paul Marks:** There have been post-pandemic funding increases in health and social care to try to drive down waiting times. For example, the latest data, which was published yesterday, showed that NHS Scotland is hitting its child and adolescent mental health services waiting times targets for the first time, which is great to see. The shift to ensuring record expenditure in health and social care translates into better outcomes, and we have recently put additional investment into support and further activity to reduce waiting times. The First Minister recently made a speech in that regard.

I have made the point about the impact of the inflationary shock on pay awards. It absolutely was the case that, in previous years, the pay awards were higher than what had been forecast, which was partly a function of inflation. Ultimately, the public feel the effect of long-term disruptive industrial action—children not going to school, or nurses not being able to get to work if the action involves ScotRail. The bin strikes in Glasgow and Edinburgh in the summer of 2022 had an effect on our economy and, ultimately, on the experience of people living in those cities. Settling those pay claims and engaging properly in good collective bargaining matter, because disruptive industrial action causes serious harm.

We have also been responding to events in Ukraine. We set up an unprecedented resettlement programme in Scotland, which had never been done before. We supported over 20,000 Ukrainian refugee families to come to Scotland, which included the procurement of two cruise ships to house thousands of refugees. That did not happen elsewhere.

So, the convener is right that we have responded to events: war in Europe, inflation and recovering from a global pandemic. Government is about allocative choices—if there is more for one thing, there will be less for another. Audit Scotland has set out some of the examples of areas where we had a plan for a budget and we spent less. We try to minimise the impact of that, as Alyson

Stafford has said, by protecting the Government's priorities. However, the budget is, ultimately, finite.

**Jamie Greene:** The public would probably have a fair amount of sympathy with what you have just said. However, at the same time, if, due to tax differentials, they are paying higher rates of tax than they would in other parts of the UK, they would expect to have better public services as a by-product of that extra investment. If the percentage of public money that is being spent on, for example, health and social care is going up and becoming an ever-increasing share of the pie, the public would again expect to see improved services.

You may have observed previous evidence sessions on other Audit Scotland reports about public services. Just a few weeks ago, I highlighted in one of those meetings that not a single NHS board in Scotland is meeting its current in-patient or out-patient targets. People are paying more and they are seeing cuts in public services to fund other bits of the public service, yet they receive poorer outcomes within those public services. There is a fundamental issue about the public's perception of how the Government is spending its money.

**John-Paul Marks:** There is an important point on perception and our capacity to ensure that we can continue to demonstrate the impact of spending. I referenced child poverty. The Joseph Rowntree Foundation recently published an independent evaluation that shows that Scotland is the only nation in the UK in which child poverty is expected to fall towards the end of the decade, which is due to the choices that this Government has made. There is a real-world impact for those who are in receipt of the Scottish child payment and other benefits, for those who access early years childcare, and for children who go to school where there are more teachers per pupil and lower class sizes.

We know that we need to improve performance in the NHS and we want to continue doing that after the shock of the pandemic. There has been inflation, and there were very high rates of flu this winter as well. However, as I say, we saw yesterday the result of the incredible work to improve CAMHS waiting times and hit the target for the first time. There has also been work on cancer waits, on accident and emergency, and on delayed discharge. The latest delayed discharge data shows that the number of people waiting to be discharged is down from the peak, which, at one point, was over 2,000 people, and that the figure is now coming down to be closer to 1,900. A huge amount of work is going on across health and social care partnerships.

Digital transformation is material to this question. Things such as digital dermatology, the

digital front door, imaging to improve cancer diagnostics and theatre scheduling and improving throughput are all enablers that will drive an improvement in the NHS in the years ahead.

Given the budget and the choices that have been taken, I am confident but cautious—we have to go through the year and need to ensure that the investment reaches the front line—that we should see, in this year, a reduction in waiting times and in the elective care backlog.

11:00

**Jamie Greene:** Let us work on the assumption that the Scottish Fiscal Commission's projections around the cost of the rising public service bill is right—whichever way you model it, is going up. How will that be funded? Will it be funded through additional taxes—that is, through devolved taxation? Is it about maximising your capital borrowing potential? Will it be funded through economic growth and, if so, what do you expect that economic growth to look like? The money has to come from somewhere, and I am still at a loss as to where you think that it is going to come from.

**John-Paul Marks:** The money definitely has to come from somewhere; I agree with you on that.

On tax, the Government has published its tax strategy for the longer term. Alyson Stafford can say a bit more on that if you are interested. My sense, from what I have read and heard from ministers to date, is that they are keen to establish long-term certainty, and that we are not expecting to see additional bands or increases in income tax. The understanding of the envelope on income tax is therefore pretty stable, which is, we hope, helpful.

The borrowing forecasts are all clearly set out for Parliament in relation to borrowing to invest in infrastructure and, as you said, to support higher growth. Clearly, we need and want to get back to a higher level of long-term economic growth in the whole of the UK, including in Scotland.

A lot of programmes are focused on entrepreneurship in relation to start-ups and scale-ups, and we have the no one left behind strategy, the approach to fairer work and so on. However, capital borrowing would not be used to cover the cost of, for example, the public sector pay bill, which is a recurring resource cost. We cannot use resource borrowing for that, because it is more for in-year adjustments.

I come back to the point about allocative choices and ministers setting out very clearly for Parliament the choices that they are making in order to afford their Government's programme. That is what ministers have just done, and it is what they will also do for 2026-27. That budget will

be informed by the MTFs, the sustainability delivery plan and the updated infrastructure investment plan. The committee will therefore be able to see all the assumptions, transparently, to inform scrutiny.

**Jamie Greene:** You are right that it comes down to ministerial choices, which I appreciate are not for the civil service to determine. Ultimately, however, it comes back to the opening line of the report, which says:

"The Scottish Government cannot afford its current spending choices".

That may be true now, and it may also be true in the future, which the Government needs to be mindful of.

I will touch on the issue of Government tax policy, which you mentioned. There may be an opportunity for Ms Stafford to come in. The analysis that was done on that paints the picture that, on the face of it, the Government's taking a different direction on tax policy in Scotland has raised £3.3 billion in additional taxation since 2017. However, as Audit Scotland has also reported, the Scottish Fiscal Commission says that that has resulted in a net benefit to the Scottish Government's revenue of only £629 million. We discussed that issue at a previous committee session.

That does not sound to me like that tax differentiation policy is working to its maximum effect. Surely we would expect that £3.3 billion to be £3.3 billion that is available for the Government to spend on public services. It is not really working, is it?

**Alyson Stafford:** To be clear on the numbers, let us look at the 2025-26 position and track back. The figure that the permanent secretary used in his opening statement is £1.7 billion—that is, if the Scottish Parliament had voted for the same tax regime for income tax that is in place in the rest of the UK, that would be the differential. There is a £1.7 billion income tax policy benefit from the decisions that have been voted on in Scotland.

How that plays out is that we then have to take into account what happens with block grant adjustments, which look at a range of factors, including the impact of the relative performance of certain economic factors north and south of the border. The differentials are particularly skewed when you look at the south and south-east of England in terms of the impact on the financial services sector. That element of the economy skews the position, which is why, when you take into account the block grant adjustment, you arrive at a net figure of just under £900 million.

There is a differential, and we obviously take into account that range of factors. Those are the

things that are known, and they are taken into account. That is what shapes the size of the overall funding envelope. In 2025-26, £20.5 billion will come from Scottish income tax into the overall funding envelope that is to be deployed.

**Jamie Greene:** That sounds a bit like you are criticising the methodology behind the block grant adjustments. Is that correct?

**Alyson Stafford:** No—I am just setting out the methodology that has been in place since the original fiscal framework was set up. A fiscal framework review took place in 2023, and the underlying mechanisms for block grant adjustments were seen as the fairest methodology that could be used given the nature of how they operate in a devolved space that is nested within a sovereign state. There were other positive changes, though, in the fiscal framework review, particularly in the borrowing space. I do not know whether you want to come on to that, but I will stop there.

**Jamie Greene:** You get the point that I am making. Of course additional revenues have been achieved through taking a divergent approach to tax, but the net benefit to you guys, who have to give money to your directorates, is nowhere near the levels of money that have been paid by the taxpayer. That brings us back to the issues of fairness and transparency that the report picks up on, which is what I am asking about. Do those tax policies actually result in the amounts of money that you forecast for funding public services? The numbers speak for themselves—they are far from what you forecast.

**Alyson Stafford:** The tax policies are subject to scrutiny by the Scottish Fiscal Commission in generating the forecasts. The key thing is that there has been a very conscious choice about the approach to taxation in Scotland. That sort of progressive approach has been restated in the tax strategy. It has been worked through to make sure that more than 50 per cent of taxpayers in Scotland will pay less income tax than if they resided south of the border.

The tax policies take into account a range of things, as you would expect, such as the level of revenue raised and the distribution of where the burden falls. They try to work that through, but they also recognise that how having the block grant reduced is then compensated for in tax is very much up to the policy decisions that are taken in Scotland.

**Jamie Greene:** Is there any concern in the civil service about the amount of public money that goes towards projects that end up costing vastly more than they were originally forecast to cost and that the Parliament has agreed to? There have been numerous examples of that over the past

couple of years, and it will have had an impact on how much money is in the pot for public services.

I will throw some examples out there. The most recent example was the announcement that the cost of replacing HMP Barlinnie was going from £100 million to nearly £1 billion. This committee and others have looked at other examples of strategic national investment projects that have gone wildly over budget, such as the cost of the two CalMac ferries going from £97 million to nearly £400 million and the money that was loaned to Prestwick airport, which was, in effect, written off. There are also other strategic national investments that are not paying off financially by producing an economic upside. Is that a point of concern? Could the Government do better at reducing overspend on projects and avoiding making poor investment choices?

**John-Paul Marks:** We always want to make optimal investment choices and deliver best value, and the infrastructure investment plan—the IIP—will be updated this year with the latest capital assumptions and revised business cases. When the final evaluation is done for Prestwick airport, we will see what value we might get back via the economic benefits of jobs, the supply chain and all the rest of it. That intervention has good potential to deliver a positive return for the taxpayer.

We scrutinised HMP Glasgow's business case very carefully. In recent years, the National Audit Office analysed the cost per prison place—it was between £600,000 and £800,000 in England and Wales, and HMP Glasgow is right in the middle of that benchmark—and found that there has been, given inflation and supply chain pressures, a 259 per cent increase in the cost of business cases for prisons in England and Wales. We scrutinised the business case for HMP Glasgow very carefully—I take your point on the challenge, but the prison's cost is appropriately benchmarked. We visited HMP Barlinnie and met the governor and team, and our conclusion was that it was necessary to replace the prison, so HMP Glasgow was agreed accordingly.

**Jamie Greene:** Yes, it was, but a billion pounds is a lot of money at a time when people are seeing local alcohol and drug partnership funding being slashed, so they are right to question such huge capital projects that are going massively over budget. That is before we even start talking about the overspend on information technology projects, which has been wildly out of control over the past decade.

My last question is about transparency, which is a massive theme in the report's section B. The Auditor General said:

"The Scottish Government has not been sufficiently transparent with the Scottish Parliament or the public about the current fiscal situation."

In fact, the last time the Scottish Human Rights Commission surveyed the Scottish Government's budgeting process, it gave it a transparency score of 60 out of 100, which is pretty poor, and 43 out of 100 for public participation. What is being done to improve transparency on Scotland's financial situation?

**John-Paul Marks:** I read about the open budget survey that was undertaken. The transparency score had previously been 41, so it has improved to 60, but I take your point that there is more to do.

Throughout my time as permanent secretary, we have had the conversation on transparency and have worked with Audit Scotland on things such as whole-Government accounts. We integrated a performance report into the annual accounts so that, at year end, you are able to reconcile what we said we would do with spending and what was delivered. In order to support ministers, Joe Griffin and the team have developed a dashboard that tracks the deliverables against the PFG, and we are reviewing the national planning framework and exploring opportunities to include real-time data to make it even more engaging for the public, in order to help hold the Government to account on long-term trends and improve outcomes.

However, we want to continue to improve transparency wherever we can. Today, we have set out a number of artefacts that the Government will publish this year—the MTFs delivery plan, the IIP and, in the spring, the NHS operational improvement plan—in order to meet some of that demand, and we will continue to respond to feedback.

**Jamie Greene:** We look forward to seeing them. Thank you.

**The Convener:** I am going to move swiftly along. I invite Stuart McMillan to put some questions to you on public service reform.

**Stuart McMillan (Greenock and Inverclyde) (SNP):** Good morning, everyone. Paragraphs 18, 21, 22, 23 and 24 certainly provide a very helpful backdrop to how the Scottish Government actually operates when making financial decisions. Paragraph 23, in particular, says that

“Budget decisions the UK Government makes in areas of tax and spending that are devolved to the Scottish Parliament directly affect the funding available to the Scottish budget.”

Earlier, you spoke about the significant shocks that have happened with regard to the in-year activities that have taken place—you mentioned Covid and high interest rates, although I noticed that you did not mention Brexit and its economic effects.

This morning, we have also read the reports about the UK Chancellor of the Exchequer's potential additional funding cuts, which clearly will have an impact on what the Scottish Government can do and might end up having to deal with.

That is very much a backdrop. In relation to your actions and activities, the public sector and public services reform have been spoken about for quite some time and you have touched on some elements this morning. I am genuinely interested in getting a bit more of an understanding of the progress on improving the governance processes for any reform.

11:15

**John-Paul Marks:** I will bring in Joe Griffin to say a bit more about the future of PSR, which he is leading with Mr McKee and the team. He can touch on governance.

You are precisely right in the point that you articulate about the backdrop. We were touching on the fiscal framework under devolution and the way in which differential growth rates and earnings rates—indeed, what happens across the rest of the UK—affect our tax take. That is a complexity for us to then manage, and it is quite changeable. Of course, it puts an emphasis on improving earnings and growth to narrow the gap.

You are right: if you go all the way back to 2010, following the financial crisis, there has been a sustained period of pretty seismic shocks to the operating environment for public services and for the economy in all sectors in the UK. The exit from the European Union, the global pandemic and then double-digit inflation all impacted on the level of public investments, and we see that translate into things such as productivity, growth and some of the fiscal decisions that have had to be taken to balance budgets.

When coming into government, the chancellor set out her own choices in relation to the deficits and things such as the winter fuel allowance and inheritance tax. As you said, we wait to see what the spending review will mean for Scotland's block grant. It is unavoidable that the Scottish Government will need to balance its budget in that context. Sometimes, those movements are in year, as for last year's winter fuel allowance means testing, which required us to respond immediately—in that situation, the choice was to replicate the UK Government's decision in that year.

We have made the point that we need to accelerate PSR where we can and be more radical—let us just use that word, Mr Beattie. We need to be more radical, whether about preventative reform, whole-family support or digital

transformation. Given the evidence, where we can find those opportunities, we should do so.

Over to you, Joe.

**Joe Griffin:** The permanent secretary asked me to take on leadership in that area from January. I have come at the governance with a bit of a fresh pair of eyes, informed by the Audit Scotland report and working closely with the team and the Minister for Public Finance.

The key tension in that area is between a lot of federated activity, to use the permanent secretary's word, across 50-odd directorates, 131 public bodies, health boards, local government and so on, and the need for a sort of central engine, if you like—a team that is at the centre, that understands the sum total of what is being done and that is in charge of certain key aspects.

We are putting in place changes, some of which the permanent secretary has mentioned. We need a clearer vision of the blueprint for what will be achieved. The current vision, which was set out in the update to Parliament in December, describes the end state of a set of public services that will be relational, place based and focused on prevention. However, it is not granular with regard to the savings that will be delivered and the outcomes that will be improved. We want to take the opportunity of the strategic document in the spring to move us more in that general direction and to break down that quite visionary vision into something that more resembles a blueprint.

The second aspect is that, with the coming MTFS, we will need to score savings that result from public service reform against the prospectus for the coming years in relation to it, which, again, will act as a good driver and an assessment of the financial adequacy of the range of public sector activity. We will need to do that for outcomes as well. That is more qualitative. Often, that is a bit more subjective, but work is under way to enable us to do that.

I think that the central team needs to hold the vision and to have good organisation of the governance. The permanent secretary mentioned the board, and the next iteration of that will be chaired jointly by the minister and by me. We will introduce external challenge into that as well.

The final piece relates to the summit. I think that it is right that the minister and the central team should have the responsibility for holding that set of partnerships and having a clear line of communication. That is what happened at the summit in Glasgow a few weeks ago. There needs to be more flanking activity to create a sense that there is a community of people and leaders who are operating in the public service reform space.

We will be making some adjustments, but, fundamentally, a lot of the work will still be happening in portfolios and in public bodies.

**Stuart McMillan:** That is helpful.

In paragraph 59, the report states:

"The change in emphasis across these approaches makes it difficult to determine the baseline for reform".

There is a lack of clarity with regard to what the baseline is. In managing any reform, it is necessary to understand what changes have been made against the baseline. What is the baseline? Are you looking at a particular year as the baseline?

**John-Paul Marks:** My presumption—the MTFS and the fiscal sustainability delivery plan have not been published yet—is that the baseline will be 2025-26, the budget for which this Parliament has passed, and future years will follow. As Joe Griffin articulated, ministers can consider the opportunity to cash up the contribution of public service reform to sustainability, to score that and to present it to Parliament this spring. That could include, for example, an efficiency assumption for public bodies with regard to digital, hybrid, sharing of estate and commercial value for money. We have already demonstrated that it is possible to achieve cash benefits through such programmes, and I think that there is an opportunity to scale that. That is my presumption on the baseline.

In relation to summary case management, which we are rolling out this year, an evaluation has been done that is based on looking at a historical baseline for the current operating system and comparing it with the implementation of summary case management. There are projects within the portfolio of public service reform that are already live and being evaluated. We should encourage that, because we want to encourage a culture of transformation across the whole system, rather than trying to hold it all tight at the centre. However, it is necessary to get the balance right, which is what Joe was referring to.

**Stuart McMillan:** Paragraph 71 says that the public service reform strategy and governance unit is made up of 5.8 full-time equivalent civil servants. Is that enough people to undertake that important role?

**Joe Griffin:** As someone who is relatively new to the senior responsible officer role, I am reviewing that. I think that that speaks to the fact that a lot of the activity has been federated. It is not the case that 5.8 FTEs are doing the entirety of public service reform. A lot of the activity sits within individual portfolios. An assessment has to be made of how big that central team needs to be. Obviously, we want to model some of the

efficiency that we hold as one of our core principles.

I am having a look at that at the moment. What is really important is that, as well as the capability—the numbers—we have people who truly understand how to lead a complex portfolio of this nature and the need to integrate effectively with our colleagues in other parts of Government, notably the exchequer, when it comes to the MTFS. I am not going to die on the hill of having only 5.8 FTEs. I have that figure under review, but, given the dynamic of the central team versus the federated, it will never run into the hundreds—there will still be a relatively modest number of staff at the centre.

**Stuart McMillan:** I am certainly not advocating an Elon Musk-style approach, with chainsaws and the like. I am making the point that the figure of 5.8 seems quite a low number.

**John-Paul Marks:** In the spirit of transparency, I think that those 5.8 staff are only one element of that directorate. Forgive me—my brain is just catching up. The total head count for the public service reform directorate is 41. There are two members of the senior civil service, six people working on strategy and the governance of PSR, a public body support unit with eight people in it, local government review and community empowerment, whole family support, community planners, the Scottish leaders forum, which is a collective leadership process, and some change management capacity. Forgive me—the figure of 5.8 FTEs does look too low, and it would be. There are more colleagues than that working in the public service reform directorate.

**Joe Griffin:** I think that the figure of 5.8 is specifically the number of people who are working on the vehicle, or the programme as we call it. The permanent secretary is quite right in saying that it is a broad directorate that carries out a range of other activities.

**Stuart McMillan:** I will read out the final sentence of paragraph 72 for the *Official Report*:

“The key governance forums for the PSR programme did not regularly discuss the progress of individual workstreams and it was not a standing item on their agendas. This was a gap in the scrutiny and governance of the programme.”

Do you recognise that?

**John-Paul Marks:** The public service reform programme came to our corporate board and our delivery executive, and, last year, I undertook a set of visits with all portfolio areas to look at public service reform projects. There has therefore been a lot of dialogue at meetings of the executive team and the steering board, a number of which I attended, about the importance of generating savings and transformation in portfolios. If I am

honest, I think that the report slightly underplays the level of effort that has gone into driving that work forward, but we recognise the importance of further formalising the governance, which Joe Griffin referred to. The level of dialogue around control and governance is significant around programmes such as the single public estate, which Lesley Fraser manages, and the digital programme, which is a very complex major project that has been running for a few years now.

**Stuart McMillan:** I genuinely recognise that your position is top level and that you deal with overarching strategic activities. I also genuinely do not know the answer to this question. In the civil service, is there an in-built process that allows the people who are doing the day-to-day jobs across the whole public sector to input suggestions, which can then be discussed?

Going back to Jamie Greene’s comments about areas in which there has been public investment, quite frankly, I think that there are examples where, if folk on the ground had been listened to, some of the problems and additional cost would not have happened.

**John-Paul Marks:** Last week, I was in Dundee at Social Security Scotland, and the culture there is very much as you describe. The product has been developed in a user-led way, but the agency also empowers the front line to feed concerns, questions and needs back into prioritisation and product development. That is a fundamental part of good engagement, good leadership and good service reform.

As part of our corporate transformation, Lesley Fraser does a lot to elicit ideas about opportunities for automation, AI deployment and continuous improvement. We are constantly trying to create a culture in which our colleagues can make suggestions and are empowered to drive reform.

For the PSR programme, at a strategic level, the £30 million invest to save fund structures that nicely, and there are opportunities for organisations to draw on ideas from their colleagues and input good initiatives that they think will generate a return.

There is absolutely a cultural point about continually hearing feedback and responding accordingly. Lesley, do you want to add anything about the way in which you are working?

**Lesley Fraser:** That is spot on. The bright ideas initiative that we had in the Scottish Government last year, which looked at areas that are ripe for automation, is precisely that kind of example. In our human resources processes, how we work to maintain a strong performance around freedom of information, without colleagues having to manually redact documents to remove sensitive information or remove junior colleagues’ names, for example,



is an area where digital services and automation can really help us.

11:30

**Stuart McMillan:** Paragraphs 75 and 77 touch on what we just spoke about. Paragraph 75 says:

“the Scottish Government has not allocated or identified funding to support portfolios or public bodies to cover the costs of delivering reform.”

Paragraph 77 says:

“the Scottish Government has said that it does not want to implement a top-down approach to reforming public services but instead wants to agree a vision of reform across the public sector.”

Those two sentences stick out—first, because of what the Government wants to do and, secondly, because the finance is not there, notwithstanding the £30 million that was touched on.

**John-Paul Marks:** That comes back to the point about defining public service reform. A huge amount of activity has been under way for the past few years to effect what I consider to be public service reform, and it has been funded. I talked about shared services and Oracle ERP. That is a radical shift in the operating model of the Scottish Government and 35 public bodies. It has been funded year on year, and the system has recently been implemented.

If we take summary case management as an example, the enablers for that digital justice transformation start with body-worn cameras, digital evidence in the police and court system and the capacity for the police and courts to integrate systems and share data and to ensure that, when a case goes to court, the evidence is presented for a more efficient trial, faster throughput, less need for the police to regularly present to court, and ultimately, a faster experience of the justice system that reduces cost. That is public service reform. It is being delivered, having been piloted on the basis of user experience, and it has been funded.

Paragraph 75 is therefore partial in that regard, because it does not recognise the scale of such activities that fall under the umbrella of reform. However, as Joe Griffin articulated, to date, we have done that as much as possible in a distributed way that empowers local systems and teams to effect the reforms that will make a difference on the basis of their evidence and their experience, rather than create an overly burdening central bureaucracy to organise and manage that.

The risk, which I recognise, is about how we can have clarity about the overall effects of all those reforms. That is a fair challenge. We have taken that on, and Joe Griffin is going to construct the governance to get the balance right, because we

want empowered systems that drive reform, but at the same time, we want to be transparent and to articulate the net effects of changes to the bottom line and to the future sustainability of public services. That is a fair challenge, and we are going to work on it. The report recommends that the data should be available for the 2026-27 budget, and that is the objective.

**Stuart McMillan:** Paragraph 80 says:

“In our view, the Scottish Government structures are not designed to support cross-sector working.”

I am keen to try to marry that up and understand it in relation to any progress on the development of the monitoring framework for the public service reform agenda.

**John-Paul Marks:** That paragraph makes a point of saying that we need a spend to save challenge fund, which we have put in place. As we were reflecting earlier, our systems in Scotland are very good at working collaboratively across boundaries. Whole family support, the Promise and the work on the child poverty delivery plan are examples of that. Of course, when there is a distributed set of portfolios with money organised vertically, we need to work hard on horizontal collaboration between teams when solving whole-system problems. For example, if we want to reduce reoffending, that is about more than community justice and the Prison Service; it is also about employment, skills and the voluntary sector's role.

We work hard at trying to brigade and work in a mission-based way. The delivery executive, which Joe Griffin chairs, meets every week and works in that cross-Government mode by drawing the whole team together around the big priorities. PSR is an area where we need to continue to work in that way.

**The Convener:** Graham Simpson, do you have a final question?

**Graham Simpson:** Yes—thanks a lot, convener. Permanent secretary, you have mentioned child poverty a few times. I draw your attention to a correction that the First Minister had to make to an answer that he gave to the Parliament on 27 February, on the Scottish child payment. In his original answer, he said:

“the Scottish child payment ... is helping to lift hundreds of thousands of children out of poverty.”—[*Official Report*, 27 February 2025; c 18.]

In his correction, he says that it is

“estimated”

to be

“helping to keep 100,000 children out of relative poverty”.—[*Official Report*, 27 February 2025; c 121.]

That is an estimate, and the term has gone from “poverty” to “relative poverty”. Is it fair to say that we do not actually know how many children have been helped?

**John-Paul Marks:** The correction is right—the measure is relative child poverty. There is a lot of published independent evaluation on that question. I alluded to recent work by the Joseph Rowntree Foundation, which has looked at not just the effect of the Scottish child payment—although it is one of the most material interventions when it comes to getting cash into the pockets of families with children that is not available elsewhere in the UK—but other reforms such as those on early years childcare, fair work and whole-family support. From the foundation’s report, it is pretty clear that the choices that Scotland has made under devolution are having a material effect in ensuring that relative child poverty is lower than it would have been if those interventions had not been made.

We are doing our own evaluation, of course, given the child poverty targets, and all of that will be published. However, the Joseph Rowntree Foundation report was published recently; it looks at the long-term trends on child poverty across all four nations of the UK and concludes that, in Scotland, because of our policy choices and delivery, we are making progress in keeping relative child poverty lower than it would otherwise have been.

That is not to say that there is not more to do, and the budget included announcements on things such as the two-child limit, to try to go further. However, all the evaluation is published, for everyone to see.

**Graham Simpson:** But we do not have an accurate figure.

**John-Paul Marks:** The latest numbers will be published this year. I can find out the date on which the evaluation plan will be published and write to you, but I think that it is later this year that we will have the latest Scottish Government evaluation of the net effects of the policy choices that have been made and what that means for relative poverty compared with what it otherwise would have been.

**Graham Simpson:** Thank you.

**The Convener:** At the end of the parliamentary session, the Public Audit Committee will devise a legacy report, in which it will leave a series of recommendations, recollections and conclusions on what it thinks the committee in the next session should turn its attention to. Permanent secretary, you are about to step down from your post and move on to another post, with His Majesty’s Revenue and Customs. If you were to draw up a

legacy report for your successor, what would be in it?

**John-Paul Marks:** That is quite a question. We want to continue to demonstrate to the committee, the Parliament and the public in Scotland that devolved government is having a positive material effect on the life chances and experience of people who live here. Today, we have touched on a few examples—in relation to unemployment, economic growth and child poverty—and on the choices that we make. That journey needs to continue, and the best possible real-time data needs to be obtained, published and presented transparently to provide assurance on impacts.

Ultimately, our licence to operate is a function of the will of the Parliament, and we want public support for the choices that we are making and the effect that we are having. We continue to work hard on ensuring optimal impact.

It has been a privilege to serve as permanent secretary and I am very grateful for the opportunity of the past three and a half years. I wish everyone very well with the challenges that are ahead. I observe that devolution is working in very many ways when it comes to how the Parliament is working and bringing democracy closer to Scotland, so that it can make its own choices. We have covered that today—Scotland making its own choices on income tax and social security in the budget. The proper scrutiny that the committee provides is essential to that, as is the role of the Auditor General.

I wish everyone well in the future.

**The Convener:** Thank you very much indeed. On that note, permanent secretary, I thank you, Lesley Fraser, Joe Griffin and Alyson Stafford for your evidence this morning. In one or two areas, you are going to supply us with a little bit more information, which we would very much welcome, as well as looking forward to the medium-term financial strategy and the accompanying delivery report; I am sure that the committee and the Parliament as a whole will scrutinise and analyse that when it is produced. Thank you very much for your input this morning.

Permanent secretary, we wish you very well for the future. We may even see you again before the committee in your new role—who knows? Thank you for the co-operative way in which you have engaged with the committee since you arrived three years ago.

I move the meeting into private session.

11:41

*Meeting continued in private until 12:12.*

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

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