OFFICIAL REPORT
AITHISG OIFIGEIL

Finance and Public Administration Committee

Tuesday 30 September 2025

The Scottish Parliament
Pàrlamaid na h-Alba

Session 6

Tuesday 30 September 2025

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FINANCE AND PUBLIC ADMINISTRATION COMMITTEE
26th Meeting 2025, Session 6

CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

DEPUTY CONVENER

Michael Marra (North East Scotland) (Lab)

COMMITTEE MEMBERS

*Ross Greer (West Scotland) (Green)
*Craig Hoy (South Scotland) (Con)
*John Mason (Glasgow Shettleston) (Ind)
*Liz Smith (Mid Scotland and Fife) (Con)
*Michelle Thomson (Falkirk East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Alasdair Black (Scottish Government)
Richard McCallum (Scottish Government)
Lucy O'Carroll (Scottish Government)
Shona Robison (Cabinet Secretary for Finance and Local Government)

CLERK TO THE COMMITTEE

Joanne McNaughton

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Finance and Public Administration Committee

Tuesday 30 September 2025

[The Convener opened the meeting at 10:03]

Pre-budget Scrutiny 2026-27

The Convener (Kenneth Gibson): Good morning, and welcome to the 26th meeting of the Finance and Public Administration Committee in 2025. We have received apologies from Michael Marra.

Before we start, I put on record our thanks to the Lithuanian MPs, organisations and officials who met us during our short fact-finding visit to the beautiful and extremely clean city of Vilnius last week. I have never been anywhere so immaculate.

Lithuania's challenges are similar to those of Scotland in relation to demographics and public sector reform. We had fruitful discussions with our counterparts on long-term strategic thinking and growing the economy. We will draw on those discussions as we continue our pre-budget scrutiny, and we will publish a summary note of the visit very soon.

We have one item on today's agenda, which is to take evidence from the Scottish Government on responding to long-term fiscal pressures. I welcome to the meeting the Cabinet Secretary for Finance and Local Government, Shona Robison. The cabinet secretary is accompanied by Scottish Government officials Richard McCallum, director of public spending; Lucy O'Carroll, director of tax; and Alasdair Black, deputy director of budget and fiscal co-ordination.

I wish the cabinet secretary good morning and invite her to make a short opening statement.

The Cabinet Secretary for Finance and Local Government (Shona Robison): Good morning, convener and members of the committee. Your visit to Lithuania sounds very interesting, and I will be happy to follow up on some of the issues that arose there, perhaps at a later meeting.

I very much welcome today's discussions as part of the committee's pre-budget scrutiny. As a Government, we are committed to increasing transparency in our budget-setting process and ensuring that value for money and fiscal sustainability are achieved in the decisions that we reach.

As discussed in detail at our previous session, the medium-term financial strategy and its accompanying delivery plan reinforce the Government's commitment to managing the public finances responsibly and delivering a balanced budget each year, alongside strengthening the fiscal position over the medium term. Redirecting resources to the most impactful interventions that support our strategic priorities will be key to our approach, and our public service reform strategy will tackle systemic barriers to reforming public services over the longer term.

I have looked across everything that we do, and we will make the changes required to protect services, driving efficiency in all areas of service delivery, including significant efficiency and reform savings across the public sector while reducing the size of the public sector workforce. That sets the landscape for our work on developing the 2026-27 Scottish budget—I am looking ahead to the new budget. I have followed the committee's pre-budget scrutiny sessions with stakeholders with interest, and I look forward to exploring the topics and issues that have been raised with members.

The committee is aware that, since we last met, the United Kingdom Government announced its intention to deliver its autumn statement on 26 November. It was disappointing that there was no advance discussion with the Scottish Government on that, given the potential impact on the Scottish budget.

Noting the now unavoidable delay to the Scottish budget and the accompanying fiscal publications, members will be aware of my letter of 19 September and my inclination to propose Thursday 15 January 2026 as the potential publication date of the 2026-27 Scottish budget. I am keen to discuss that further with the committee and to seek your views on potential plans for the budget.

I appreciate that this is difficult for us all, and I have carefully considered the need to allow sufficient time for the Scottish Fiscal Commission's forecasting and for parliamentary scrutiny, as well as Scottish Government considerations. The integrated nature of the Scottish budget means that it is important to keep the four fiscal publications aligned. I am therefore keen that the Scottish budget, the spending review, the infrastructure investment plan and the infrastructure delivery pipeline continue to proceed as a package and are published at the same time. I appreciate that there may be differing views on that, however, and I am happy to discuss that further.

The Convener: That was greatly appreciated, cabinet secretary.

Some of the more starry-eyed and excitable members of the Labour Party told us last year that, after the UK general election, Scotland would be at the heart of the UK Government. The fact that the Scottish Government was not even consulted on the date of the autumn statement gives the lie to that—as have many other developments over the past 14 or 15 months.

It is really disappointing that the autumn statement will be on 26 November, which is four weeks later than the date of last year's statement. I can understand the difficulties that that presents to the Scottish Government. It also presents the committee with difficulties in its scrutiny, as you can imagine. Having the budget on 15 January means that it will be 50 days after the autumn statement, and we are all aware that that includes a fortnight over Christmas. If we exclude that, it is the same length of time as was available last year. Even so, the 15th is very late, and it is a Thursday. That would give the committee only the following Tuesday to cobble together some kind of scrutiny. I realise that it will be difficult for officials, the Scottish Fiscal Commission and others, but if we were to get the draft budget on Wednesday 7 January, which would be a week and a day earlier than is being suggested, that would at least allow for more effective scrutiny and would give some breathing space for consideration following the presentation of the draft budget.

I am not asking you to give us a definite answer on that today—although it would be great if you could. I hope that you can consider that idea, as the truncating of scrutiny would be very disappointing for the committee and for the whole management of the draft budget.

Do you wish to comment on any of those points before we turn to specific questions?

Shona Robison: I very much appreciate the points that you have made. I will of course reflect on everything that is said today about the timing of the budget and other matters.

I go back to the point that the timing is intrinsically linked to the SFC's final deadline for receiving detailed information on borrowing, funding, expenditure and public sector pay proposals. The protocol with the SFC requires that we confirm that information four working days before the budget. For a 15 January date, that would be 9 January. However, if the date for the budget were 7 January, which you suggested, that deadline would be 29 December. The issue would be all the public holidays during that period and the requirement for us to get all that information. It would be better to have that first working week in January in which to work with the SFC to finalise the information.

There are also the unknowns at the moment. For example, we do not know what new tax propositions might emerge on 26 November or whether they will impact on the Scottish budget and devolved taxes. The SFC will need time to work through that complicating factor.

I am willing to reflect on committee members' views on the date, but I am trying to set out some of the challenges that would come with that.

I do not know whether Alasdair Black wants to say anything.

Alasdair Black (Scottish Government): We have looked at the difference between a 15 January publication date and a week earlier, and a key consideration is—

The Convener: Even 14 January would be better. A Thursday is a terrible day.

Shona Robison: I am up for thinking about whether earlier that week could be a compromise. That would give us that first few days back just to finalise things. I am not wedded to its being a Thursday, for sure; I guess that it is about trying to meet in the middle, where we can reach—

The Convener: I just assumed that we were all going to have to work over the festive period to a large extent. Sadly, some of us do that anyway.

Shona Robison: Yes, absolutely. It is one of my busiest times.

Alasdair Black: I highlight that the difference of a week amounts to 10 days in relation to being able to finalise the funding, spending, borrowing, pay and workforce policy positions, which we need to communicate to the Scottish Fiscal Commission. If the date was 15 January, we would be able to work to a period 10 days later than if we went with one week before. Given when the public holidays fall over the new year, we would need to confirm all those details during the Christmas recess period, which would be challenging. It is possible, but it is important for members to be aware of that.

The Convener: During my lifetime, we have had inventions such as the internet, email and the telephone—actually, that was before my lifetime, but it was in Liz Smith's lifetime. I therefore do not think that it is impossible. Certainly, any step forward in progress that you could make on that would be helpful for our scrutiny.

I commend the Government for the fact that all four plans will be together. That is really important. I was going to ask you specifically about that, but you have answered the point. It will be very helpful to have all those documents together. I realise that that is also a lot of work for the Government, but it is certainly what we have been looking for.

I will get into the meat of other things that we want to discuss today. We have taken evidence on pre-budget scrutiny for a number of weeks, and one issue is prioritisation. The Government has talked about that, and you have talked today about areas of need. Again, we have found that, although it is always easy to talk about what is being prioritised, the quid pro quo is that, if you prioritise one thing, you must be deprioritising another. What is going to be deprioritised as we go forward?

Shona Robison: That came up in our previous session. A further example is prioritisation within portfolios. For example, in the health portfolio, clear priority has been given to patient-facing front-line health boards that have received, and will continue to receive, a real-terms uplift, whereas non-patient-facing health boards have flat cash and a higher level of efficiency savings. We are saying, "Right folks, patient-facing front-line health boards need to be the priority. Other areas of the national health service will have to do things differently to drive efficiency savings, such as looking at shared services and so on." Even within portfolios, we are trying to ensure that priority is given to front-line services.

10:15

The 20 per cent target for the reduction in corporate staff numbers is sending a clear message that corporate functions in the public sector need to be done differently. Staff numbers need to reduce and services need to use digital innovation and automation in order to release savings for front-line services. That needs to permeate through every part of the public sector and every portfolio interest. That is the principle of what we are working towards.

The Convener: I understand exactly what you are saying, and I certainly would not argue against that. However, you are talking about prioritisation in portfolios, but there are issues across portfolios. For example, you will be well aware of the issues that are facing the college sector, which have been pointed out to us directly. We know that there is a chronic skills shortage in Scotland and colleges are intrinsic to ensuring that we have the skills that we require. Colleges have suffered a 17 per cent reduction in real terms over the past five years, they have cut staff numbers by 8.7 per cent and they have cut student numbers by 12 per cent. Is reversing some of that not considered to be a priority? If we are genuinely trying to lift people out of poverty, we will not be able to do that simply by increasing their benefits; surely, we have to give them the skills that they need so that they can earn for themselves and their families. Colleges are part of that.

Although I take on board all that you have said about efficiencies in portfolios, will there be any light at the end of the tunnel for the portfolios that have already been squeezed over the past few years? Could they get a settlement that is at least in line with inflation? I would hope that the college sector would get an above-inflation increase if it is to try to deliver on the Scottish Government's poverty and skills agendas.

Shona Robison: I recognise the importance of our further education and higher education sectors. The college sector received an increase in teaching funding in the 2025-26 budget—

The Convener: It was below inflation, though.

Shona Robison: I take your point. There is something about the transformation of the college estate going forward. If you do not mind, I will draw an example from my patch. Dundee and Angus College has been quite forward in its thinking. It has taken hard decisions about some of the courses that it provides and has tried to align its offering more with the skills that local employers and the workforce require. It also has ambitious plans for its estate. There is something about transformation—what our college estate will look like in future and what it will provide.

There is also a wider question for the skills sector, in which colleges play a key role. In the not-too-distant past, some big reviews have been done on that, which have indicated that we need to ensure that our skills landscape is delivering what young people and not-so-young people require for the workplace. I am not unsympathetic to the point that you are making.

The Convener: The Scottish Government inherited a total mess with colleges. In my area, the college in Kilwinning—which is in Cunninghame South—was linked with the James Watt College in Greenock, which was an absolute nonsense. The reorganisation has been effective and has made things much more focused. All the daft five-hour courses—that was five hours in total, not five hours in a week—have been bumped, and there is much more focus on business and connections with business.

A lot of that work has now been done, and yet colleges are still being expected to squeeze. Although there are no doubt innovations in your area, cabinet secretary, as there are in my area, colleges cannot continue to innovate while core budgets are being reduced or not allowed to grow. That is frankly unrealistic, so I hope that greater consideration will be given to the sector.

On local government, you told the committee four weeks ago that

"we have agreed on 95 per cent of everything"—[*Official Report*, *Finance and Public Administration Committee*, 2 September 2025; c 40.]

in relation to the arrangements being discussed with local government for a new fiscal framework, although views differed regarding a rules-based budget. Has there been any progress over the past month on where we will be by budget time or, if not then, by the end of March?

Shona Robison: Work continues on that, convener. There is a slight frustration in that we are in agreement on 95 per cent of the framework and a lot is already being applied in practice. I referred in the meeting four weeks ago to there being early engagement, an open-book approach and so on. Those are all principles of the framework. Most recently, the approach on local government pay was very much in line with the framework, so there is a little bit of frustration about not securing agreement to publish—although those discussions are on-going—because of the issue of rules-based funding.

I have been in discussions with the Convention of Scottish Local Authorities about the limitations of, and difficulties with, rules-based funding. The employer national insurance contributions issue is a very good example. If you stick to rules-based funding, it can be to your disadvantage when something such as an increase in ENIC arises unexpectedly.

We agree on 95 per cent of the framework. I hope that we can reach a position where we can secure full agreement and have a framework for the way that we do business. We can continue to discuss future funding formulas as well, but that should not stop us grasping and securing the progress that has been made, not least on the process around the budget, which I think local government itself has said has been the best for many years. We are still in the process, but I am hoping that we can get through it.

The Convener: I know that you can be knocked off field by things such as the employer national insurance contributions increase. In the area that I represent, in North Ayrshire, 54 per cent of the council tax increase—some £6.8 million a year—is going into paying ENICs, and that is just the direct cost. However, given that we were told in January of this year that the deal was likely to be in February, it seems disappointing that we cannot get it concluded. I am sure that others would like to see it concluded quickly as well.

We have talked about capital over the years in the committee, and there has been great frustration that the investment pipeline always seems to be just beyond us—it is like a donkey with a carrot on the end of a stick. We keep pursuing it, but we never quite get to see an infrastructure pipeline. When it is produced, will it contain shovel-ready projects, as some witnesses have asked for?

Obviously, capital can fluctuate and one concern is that sometimes, at the end of a financial year, capital is rolled over. If there were shovel-ready projects, there would be a bit more flexibility in terms of being able to deliver on some projects in the short term.

Shona Robison: It will cover infrastructure projects over £5 million and programmes over £20 million. There is a lot below that involving small projects. There are the projects that either have their business case or have their business case in process, and then there will be those that are in the phase beyond that. There will be big differences between some of the national infrastructure projects, which will be the big projects, and some of the more local infrastructure projects.

As you are aware, convener, we are constrained by the capital outlook. We have a very disappointing capital outlook from the spending review, so we are very exercised at the moment about how we can expand the capital envelope through other means. You will appreciate that we have a lot of ambition in the capital space and we do not want to be constrained in that ambition, so we are giving a lot of thought to that. We will set that all out when we come to it in January.

The Convener: You touched earlier on improving efficiency in portfolios. You said that you are looking to reduce administration costs by some 20 per cent across the public sector in a managed way. Over what period will that be delivered and, specifically, how will it be delivered?

Shona Robison: The reduction will happen over a five-year period and it is being delivered through a number of mechanisms that Ivan McKee has set out in the framework.

We expect all parts of the public sector to produce plans on how they will reduce their corporate costs. Some of that will be in the shared services space, so it is about sharing some of the corporate functions, such as human resources or payroll. Our Oracle system is on offer to the public sector, and a number of public sector organisations have approached the Scottish Government about coming on to the Oracle system. Organisations will have to look at how those functions are shared, rather than, for example, every single health board having all of the functions, which cannot be the way forward.

All areas, public bodies and parts of the public sector—even some of our small public bodies—are expected to set out detailed plans on how they will get there and make efficiencies. Ivan McKee is regularly monitoring that as it comes in. The invest to save funding was also important to oil the wheels of some of that work. Some of the efficiencies might be in the voluntary redundancy space, but others will come from automation and being able to do things differently. A lot of interesting bids for that money have been agreed to.

Richard, do you want to say a little more about that?

Richard McCallum (Scottish Government): As the cabinet secretary says, the reduction will happen over a five-year period, through to 2029-30. We already had the invest to save plan in place, and we have seen some benefits from it in the current financial year. How the plan might be implemented and used moving forward will be a big part of considerations for the spending review.

Essentially, as the cabinet secretary said, we are expecting or requiring delivery plans at portfolio level. They should include how individual public sector bodies will look at the administration reduction target, which is around 20 per cent. We are hoping and expecting that the approach will stimulate different ways of thinking, rather than people just taking the approach of saying, for example, "We will take 20 per cent off by cutting here, here and here." The idea is to provoke and stimulate different ways of working and reform, by looking at how different bodies can share services in different ways. That is what we are currently focused and working on with the Minister for Public Finance.

The Convener: You touched on the invest to save fund, which I was going to ask about anyway. Witnesses were very supportive of the fund, but they said that £30 million is not enough to do more than scratch the surface, that you really need a bigger fund if you are going to make fundamental change, and that the more that you invest to save, the more radical and swift the change is likely to be. Are those fair comments?

Shona Robison: We needed to start somewhere. We wanted to see what the interest and level of ambition and ideas would be for an invest to save fund of that magnitude.

We are very thoughtful about, first, the need to keep the fund going beyond one year, and secondly, the level of the fund. For example, we will give some thought to what ideas were not able to be funded through the pot and whether we could crank up some of the momentum, as I am personally very keen to keep it going.

10:30

The Convener: I have only a couple more questions, because colleagues are keen to come in, as they always are. They are not quite champing at the bit, I must say—they are all very relaxed this morning—but they are keen to come in.

I understand that the Government is quite ambitious about reducing the number of civil servants. What will the annual reduction target be over the next five years?

Shona Robison: Do you have the numbers, Richard?

Richard McCallum: I do not have the numbers in front of me. However, given what the Minister for Public Finance has said, and the evidence that the committee took from the permanent secretary, the expectation is that the same approach that is applied to the wider public sector will be applied to the civil service—the core Scottish Government. The permanent secretary is very much focused on the expectation of a 20 per cent reduction in admin costs over a five-year period. That clear challenge has been set, and the Scottish Government needs to lead the delivery of that reduction from the front.

Shona Robison: I think that the target was about a 0.4 per cent annualised reduction in workforce. I cannot quite get the numbers to hand, but we did have them and I can send you them. Essentially, convener, it is a downward trajectory—

The Convener: A 20 per cent reduction to improve efficiency might reduce the workforce by 20 per cent over five years, which would be 4 per cent a year.

Shona Robison: Yes.

The Convener: Does that seem reasonable?

Shona Robison: Yes. However, I will come back to you with the actual numbers. The target is significant, but it is more than achievable on the bigger scale, as you have said. However, it must be done in the right way: it is not about randomly taking an axe to services but, in the main, about natural attrition and voluntary severance. We have talked previously about the need to be clear about the no compulsory redundancy policy: in extremis, if all other routes have been explored, that will remain a possibility.

The Convener: Joe Griffin told us in response to a question from Michelle Thompson that, out of a workforce of 7,000 people, there were 4,000 managers. It looks as if it is all chiefs and nae braves, if you know what I mean. If you are looking to improve efficiency, the civil service does seem relatively top heavy compared with other organisations.

Shona Robison: It must happen across the board. We need to lead by example, and changes have been made in the director-general territory to ensure that we do not ask others to do things that the top level of the civil service itself is not prepared to do. There has been a reduction in the number there in order to lead by example, which my portfolio very much needs to do.

However, in doing all that, we need to ensure that we are not losing the investment in, say, digital and automation, which needs to be—

The Convener: I appreciate that you need to keep experience.

Thirty years ago, a member on Glasgow City Council suggested that it reduce the number of directors from 21 to 12. The administration scoffed and said that it could not run a city with only 12 directors but, a year later, it reduced them to seven. So, it depends what people actually do.

I have another couple of wee things to touch on. First, there still seems to be an issue between the Scottish Government and the UK Government about the impact of proceeds of crime, in relation to which the block grant has been held back by £4.3 million. Will that issue be resolved soon or will it keep dragging on—because, obviously, that is £4.3 million lost to our budget?

Shona Robison: I will check with justice colleagues exactly where that has got to, convener, and I will come back to you.

The Convener: Okay.

Lastly from me, when we met Lithuanian colleagues—parliamentarians and officials—we talked about Lithuania 2050, which is the vision that they are looking to produce. They have a committee of the future, and the questions that they are looking at are: "Where do we want to be our country to be in 2050?", "How do we ensure that the vision is accepted across the board?"—which, to a large extent, it has been—and "How do we deliver that vision?" Incidentally, Finland has a Committee for the Future, too; in fact, it is the leading European country when it comes to long-term strategic planning and thinking.

I know that, partly because of the way in which the UK budget works et cetera, the Scottish Government tends to have to find its way year on year, but would it look to have a long-term strategic vision for the future? It is certainly important. The way in which they have structured it in Lithuania ensures that civic society, the Government and everyone else are all pulling towards a long-term goal and vision for the country.

Shona Robison: I am certainly happy to look at what others have done, whether it be Lithuania or Finland. If you have all the levers—

The Convener: We are, of course, a substate, and they are not.

Shona Robison: It is a bit easier to do that when you have the whole picture, but that is not to say that there is not something that we can do in that respect. I am happy to look at that. We are always keen to see ideas from elsewhere, and there might be some merit in doing that here.

I know that this will be difficult in the current political climate, but if we were able to establish enough of a consensus about what such a vision would look like, we might be able to have some kind of landing space in which, although we might disagree on certain things, we could agree on the things that we need to move towards. That might bring benefits.

The Convener: I am just thinking of Ireland. In 1986, the country was effectively a basket case, so everybody sat down and decided, "Look, this is what we need to do: focus on infrastructure and education." Look where it has gone in the past 30 or 40 years as a result; it has had phenomenal growth and success relative to where it was.

I am now going to open up the session. I call Liz Smith, to be followed by Ross Greer.

Liz Smith (Mid Scotland and Fife) (Con): Cabinet secretary, in the first instance, I want to explore some of your responses to Mr Gibson when you were talking about some of the commitments that you are prioritising. I note that, when you came before the committee on 2 September, you said that the Scottish Government is prioritising those most in need as well as programmes that are proven to work.

Let me break that down into its two component parts, the first of which is those most in need. The convener has put it to you that colleges could, perhaps, be defined as a group most in need. What criteria is the Scottish Government using for a budget that will be presented under very tight fiscal arrangements, and what criteria are ministers using to try to examine who those most in need are when it comes to pursuing economic growth and better outcomes?

Shona Robison: I guess at a very high level it goes back to the key priorities, and the overarching key priority of eradicating child poverty. The question is: do our programmes help achieve that aim? There are various lenses through which we would look at existing spend and priorities to try to ensure consistency. We are also required, by law, to produce another child poverty delivery plan—the third—which will give us a good chance of hitting the child poverty targets by 2030. That is one example of the lens, I guess—

Liz Smith: But would colleges be looked at through those same lenses in terms of improving the skills agenda and ensuring that people are able to go back to work, which in turn helps tackle child poverty and helps economic growth?

Shona Robison: I guess that the overall answer is yes. Every part of the public sector would be looked at in terms of the contribution that it can make.

Without giving away any trade secrets, we have been having a debate about whether the bulk of the overall spend—whether it is in colleges, childcare or health—does enough to eradicate child poverty. We have a tendency sometimes to focus on the new bits of funding. There is a question about the rest of the tens of billions of funding through our various structures. I am quite thoughtful about that. Whether it is colleges or the health service, we need to interrogate whether what they are doing—for example with our childcare programmes—is going as far as it could to lift families out of poverty.

Liz Smith: What is happening about drilling down on some of the detail? You mentioned the health service, so let us take that as an example. Some health boards are more effective than others in aspiring to the aims and ambitions of the Scottish Government. You and I have sat through discussions in NHS Tayside, for example, in which there was a determination to try to learn from other health boards where there is good practice. Is the Government going into that level of detail on how effective the spend can be in different portfolios?

Shona Robison: We have a Cabinet sub-committee that is specifically aimed at tackling and eradicating child poverty. At its most recent meeting—again, without giving away any trade secrets—we got into that space. For example, we talked about whether the mental health offer through the health service is reaching those children and families who need it most.

The same applies to our childcare offer. Is it flexible enough to meet the needs of families who are either not in work or are in low-paid or part-time work? It is about employability. More flexible childcare could assist those families out of poverty.

I assure you that, whether it is colleges, childcare or health, we are looking at what more we can do with the tens of billions that we spend on our public services to point them more in the direction of lifting families out of poverty.

Liz Smith: I want to ask you about the second part of the statement that you gave on 2 September and what you have said this morning about identifying programmes that are proven to work. You have given some examples of where the Government has some focus. The convener suggested that there is a corollary to that. I know that you are not going to reveal any details about the budget, but if there are programmes that are clearly not working and have not been working through previous budgets, what action will the Government take in areas where the spending has not provided the outcomes that the Government would like? Is the Scottish Government in a position to say, “Here are the programmes that are working well, and here is the evidence that supports that, but here is evidence that other programmes are not working well and where money could be saved or, in some cases, transferred”? Is the Government at that stage?

Shona Robison: As you would expect, we are bringing that degree of examination and challenge to all of our programmes—

Liz Smith: Is that with a view to making cuts in certain areas?

Shona Robison: Or changing the direction of the spend. Let us take employability, for example, which we have talked about quite often. There are some good programmes in employability, but is that area of work as focused as it could be? Is it reaching and supporting those families that we need it to reach and support? Third sector spend has had quite a lot of success in reaching and supporting families. Is that being sustained in areas where there is evidence that it is working? Both are true: we need to interrogate spend to ensure that it is delivering but, where spend is delivering, we need to ensure that it continues and that there is not a disconnect, for example where something that works well ends up not receiving third sector funding.

10:45

Liz Smith: Do you feel that those very difficult decisions are sufficiently transparent? It is an extremely difficult task for the Government, in tight fiscal circumstances, to make the right decisions about what is working well and what is not working well. Is there sufficient transparency in the evidence on which policies are most effective in delivering for the Government and which policies are not effective and should therefore potentially be scrapped?

Shona Robison: We rely on the data that is provided, which we can then interrogate, on what is being delivered through third sector grant funding, the outcomes from the employability funding, some of which also goes to the third sector, and the outcomes from the Scottish child payment. There is less clear data in some areas—for example, do we have the data from the huge investment in childcare to show which families are benefiting most from it and which families are not benefiting because it is not flexible enough? Those are the areas that we need to get into. Do the mental health services that we provide reach the folk they need to reach to get people back into work and, importantly, to avoid people falling out of work? I am not sure that we have the data set on that that we want.

Liz Smith: There are issues around the data set. We were told at the start of this parliamentary session that certain aspects of data, in particular on the labour market, do not exist. That obviously makes life difficult for the Government.

This is my final question. On 2 September, you intimated that you would not be able to roll out policies such as free school meals on the universal basis that you would have liked to, because of fiscal constraints. Will you hold off rolling out policies in other areas, or, in some cases, will you roll policies back, because you do not have the money to finance them?

Shona Robison: There is always a balance to be struck around what is universal provision and what is more targeted. When finance is constrained, how do you make sure that the available resources point in the direction to eradicate child poverty? That is what lay behind the free-school-meal decision.

We may well be looking through that lens at other areas, and it might be about the approach to rolling out. Going back to childcare, we need to look at whether that policy—which, incidentally, has been, in many ways, a big success of the early years offer, and is a very important support to families—is reaching and supporting the families who need it most. We are at a good point to ask ourselves that question. If it is not, what is it about the childcare system that is not able to do that? Is it too rigid? Is it not flexible enough? It was set up in a certain way, understandably, because there was an agreement with local government, and that is what has been provided.

Some of those things will not happen overnight; we will not say, “As of a week on Tuesday, it will be provided in a different way.” Some of those things take time to change, but my very strong view is that we need to have discussions about all areas of policy. Childcare is such an important tool in eradicating child poverty—for example, some families struggle to get consistent childcare throughout the day. If a mum is either not in work or is in low-paid or part-time work, what works for her and her family is a good starting point.

If what we have is not working, we need to look at how we can shift resources in order to be more effective in that space.

The Convener: I am tempted to say something, but I will not go on any further. Ross Greer is next.

Ross Greer (West Scotland) (Green): Good morning, cabinet secretary. I will say something before I get on to my line of questioning.

It is hard to take seriously the Government’s claim that it is trying to get best value for money on spend when independent reviews of existing Government policies are rightly commissioned but then discarded when the conclusions are politically inconvenient. We have discussed the small business bonus scheme before. There are clearly better ways to spend a quarter of a billion pounds to support small businesses. The Government commissioned a review, and the review said that no action has been taken in response.

How do you expect us to take seriously the Government’s claim that it is trying to get best value for money when one of the most notable examples of a policy review—and it was great that the Government was willing to commission that independent review—was simply discarded because it was clearly politically inconvenient?

Shona Robison: We have discussed the small business bonus scheme before. I hope that I have not given you the impression that it should stay as it is for ever and a day. Every area of policy should constantly be looked at in terms of whether it meets the objectives that it was set to meet. As I said last time, I am mindful of the current climate and environment for small businesses, which is very difficult. Certainty, in terms of knowing what the landscape and support look like, is important.

We are open to looking at whether the businesses that are supported are helping to meet the ambition of economic growth and to sustain town centres. In some cases, they will be helping, because some of the very small businesses tend to be located on our high streets, which we want to maintain and enhance.

Given the other difficulties that businesses are facing, I am mindful that it might not be the best time to create uncertainty about something that they rely on. However, if you are asking me whether it should stay the same for ever and a day, I say no. It clearly should not and will not.

Ross Greer: I accept the point about certainty, but the review is now three years old. We all agree on the importance of supporting small businesses in Scotland. The overwhelming majority of businesses in Scotland are small. However, if the primary concern is that businesses require certainty, surely the Government has had the opportunity over the past couple of years to enter into a discussion with the small business community about how it thinks that a quarter of a billion pounds would be best spent to support it, and to ensure that any change is brought in over a longer period of time so that there is certainty and businesses can plan around it.

I find such a striking juxtaposition between, on the one hand, your remarks about getting best value for money and what is said in the medium-term financial strategy and, on the other, reviews being commissioned, coming back with what I think are useful but challenging conclusions, and then just being discarded. It would be one thing for the Government to say, “We will deal with this over a longer period of time because any snap changes in tax regimes can cause disruption,” but that is not what happened. It was just discarded, because politically it was hard.

Shona Robison: “Discarded” is a strong word. I am not sure that it was discarded.

Ross Greer: What action was taken in response to it?

Shona Robison: We will continue to discuss with business the best way to shape the funding that is available in order to have the outcomes that we want.

For example, we are talking to the hospitality sector at the moment about whether the current regime that is focused on turnover is fair to the hospitality sector compared to retail. We are not absolutely wedded to doing things the way that they have always been done. We are all cognisant of the current climate in which businesses are trying to recover from Covid and of the headwinds that are impacting on small businesses in particular, but it is not a bad challenge to say that the small business sector might have ideas.

We are talking to business and engaging with it on what the future looks like. It is a good time to have those discussions and to frame the issue in a way that shows that it is not about taking something away but about what investments could work better. I will continue to have those discussions through the budget process and into manifesto territory.

Ross Greer: That is not what I was planning to ask about, but I wanted to follow up on a previous comment. I will condense this question a bit.

The Fiscal Commission did an excellent piece of work on the cost of climate mitigation and adaptation. The Climate Ready Clyde group, which includes the greater Glasgow local authorities, Strathclyde Partnership for Transport, the Scottish Environment Protection Agency and the University of Glasgow, did an excellent report a couple of years ago, which projected that the cost of climate breakdown—not the efforts that we are taking to reduce emissions but the impact that is already locked in—will be something in the region of £400 million a year by 2040 in the greater Glasgow area.

Does the Government have any figures? Have you come to any conclusion on what the cost of adaptation will be? That cost is entirely separate from the record amount of money that is going into mitigation—the £4.9 billion of climate-positive spending is excellent. Does the Government have a ballpark figure that it is planning around in relation to the locked-in damage that will already be done?

Shona Robison: I will come back to you on that. At the moment, we are in the midst of working through the carbon budgets and the climate plan and trying to align all that against a difficult fiscal backdrop. You are right to challenge the elements that are related to adaptation and mitigation; the question is how we pay for them. It cannot all come from the public purse, because there is just not enough funding.

We must consider how we lever in private sector investment and incentivise it. Let us take the example of district heating systems. Clearly, the financial model can work; we just need to push forward with it. It can be frustrating and slow to do so, but there is a financial model that can work, which uses the public sector to oil the wheels and private sector investment to put in place the infrastructure. We need to get better at identifying the issues and how we can lever in private finance and decarbonisation more generally, because we will not be able to fund it all through the public purse.

I will explore the overall cost with climate colleagues and come back to you on that.

Ross Greer: That would be really useful.

I will bundle up where I have been going with these questions. The Climate Ready Clyde report that I mentioned was produced largely by the university but for the local authorities. Part of what the local authorities were trying to get at was their belief, which I share, that they need more fiscal autonomy to deal with the consequences of climate change. Obviously, extreme weather will do a lot of the damage to infrastructure for which councils are responsible.

We have discussed council tax reform at length previously, so I will not get into that, but I would be interested in the Scottish Government’s position in principle on the extent to which local authorities are able to raise their own revenue. At the moment, council tax is about 20 per cent of local authority budgets; non-domestic rates are nominally a local tax but, in practice, they are not—councils have almost no discretion over them whatsoever. Does the Scottish Government think that the current balance is right, or would you like to see local authorities raise a far greater share of their budgets directly?

The norm across Europe is that municipalities raise a majority of their own budgets; Scotland is an outlier in that regard. Does the Government have a direction of travel with regard to the degree of fiscal autonomy that you want councils to have? Should they be raising the majority of their budgets themselves?

Shona Robison: This answer is at a very high level—I am not going to get into percentages—but I am keen to empower local government to raise more funds. Obviously, that will have to be done in a responsible way.

Councils do have borrowing powers; actually, they have more borrowing powers than the Scottish Government—

The Convener: Scandalous.

Shona Robison: —but some are more at the limit of those powers than others.

There are certain approaches that we are exploring in the space of outcomes-based funding, and the one that is most advanced is the Granton housing project in Edinburgh, which also has an active travel and decarbonisation element. There are opportunities for individual local authorities to do more of that.

There is also the question of the local government pension fund, which is sitting at about £67 billion or £68 billion, and the strategic use of that investment, which local government is keen to discuss. Housing has been suggested as an obvious opportunity in that respect, but there could also be opportunities for infrastructure projects such as those for mitigating climate issues, for example, as well as other big decarbonisation and district heating projects. We need to explore whether more can be done in that space.

Clearly, any such models must have a return on investment—

Ross Greer: Housing and energy being ideal for that, as the returns are very stable.

Shona Robison: Housing and energy are good examples, I think. There is more that we can discuss in that space.

Ross Greer: I would strongly support that. If you can provide the committee with further detail on the Government's engagement with the councils on pension funds being used for capital investment, in particular, I would certainly find that beneficial, and I imagine that other members would, too.

Shona Robison: We can come back to you on that.

Ross Greer: Thank you.

The Convener: The Fiscal Commission produced a report in 2023 on the cost of climate mitigation and prevention and—if my memory serves me right—I think that the figure for Scotland alone was £188 billion across the public and private sectors. That is a good £35,000 a head, which is a lot of money. I think that we have been almost blinded by the headlights when it comes to the sheer scale of things, which is probably why the matter has not been tackled as well as it should have been.

Shona Robison: And we are trying to do it as a devolved nation.

The Convener: Indeed. The commission also said that the United Kingdom would not be able to meet its own climate targets without Scotland, because of the impact of peatland restoration and so on.

As for the small business bonus scheme, I would note that the Federation of Small Businesses has said that, without it, one in six of their businesses would have gone bust at the time of the financial crisis in 2008. Certainly the scheme might have a use in times of crisis.

I call John Mason, to be followed by Craig Hoy.

John Mason (Glasgow Shettleston) (Ind): Public sector reform has already been mentioned, and I think that the assumption of us all is that it will reduce the workforce, costs and so on.

Last week, we debated the Tertiary Education and Training (Funding and Governance) (Scotland) Bill at stage 1. It moves things around, mainly from Skills Development Scotland to the Scottish Funding Council, and the financial memorandum says that it is going to cost £33 million. I was encouraged to find, last week, that that figure had come down to £22 million, but it still seems like a lot of money to rearrange the furniture and, indeed, seems to be going in the opposite direction of what we thought was going to happen, which was to reduce the number of public bodies, the workforce and so on.

How do those things tie together? Is the bill a bit of an outlier, or is it a sign of things to come?

Shona Robison: I am not unsympathetic to the point that you are making, Mr Mason. We need to ensure that the reforms that we bring forward are consistent with the direction of travel. Clearly, a new minister is in charge of that bill, and he will want to look at its scope, its ambition and so on.

I have been thinking quite a lot about our approach to the 131 public bodies in Scotland and to public service reform. We need to avoid the trap of tinkering around the edges. Perhaps we should take a step back and ask ourselves what Scotland needs from the public body landscape.

The tertiary education and training bill has some good aspects—not least on governance, which is very important—but we need to think about whether it is optimal to be moving things around or whether we should take a step back and ask ourselves what we need and which organisation would be best to do what. A new minister is getting his head around the bill and will have his own thoughts about the direction of travel.

We need to ensure that the delivery of apprenticeships is functioning well and that careers services are in the right space. I want to avoid duplication, and there are many organisations that provide careers advice. There is a lot of important stuff in the bill but, in general, I think that we need to step back and think about what we need. That comment is not particular to the bill; I am not convinced that we need the 131 public bodies—some that are in the Government and some outwith it—that have emerged for a whole variety of reasons over the years. It feels as though it is time to take a step back and have a proper look at the landscape.

John Mason: That is helpful. We will look forward to what is coming.

As has already been noted, most committee members were in Lithuania last week, but those of us here had a good debate at stage 1 of the bill and a number of members agreed that either the Education, Children and Young People Committee or our committee needs to look at the financial memorandum more carefully.

Shona Robison: I will take that away and speak to Ben Macpherson about the financial memorandum.

John Mason: It is good that the £33 million has come down to £22 million, but everyone, including Mr Macpherson, has accepted that that is not the final figure and there are still some uncertainties.

Another interesting point that came up in the discussion on the bill is that, as Skills Development Scotland is losing or—I should say—transferring a lot of its work to the Scottish Funding Council, SDS subsequently plans to make some of its staff redundant, which will cost between £4 million and £8 million. That was a bit of a surprise as it was not in the financial memorandum, but it subsequently appeared in the Government's letter responding to the stage 1 report.

It strikes me as slightly odd for an organisation to plan to transfer many of its staff who work on a specific task, which is apprenticeship funding, to then be left with too many staff at the end of the process. It is not your issue, cabinet secretary, but it makes me think that there are bits of the public sector that may have too many staff and where savings could be made, but that there are other areas where that does not apply.

I do not know whether you or Ivan McKee consider SDS to be a front-line service. Are we looking at making savings across the board, or do you feel, as I am beginning to, that there are more savings to be made in some areas than in others?

Shona Robison: There are definitely more savings to be made in some areas than others.

John Mason: That was a short answer to my question. I will move on to a few other points.

The convener has already asked you about the proceeds of crime. The fiscal framework outturn report and other documents note that discussions are on-going and that different things are still being looked at. One issue is the block grant adjustment for the aggregates tax—is that progressing?

Shona Robison: Yes, that is progressing. We have a new Chief Secretary to the Treasury, and I have not had a chance to raise it with him. I have had a very short introductory meeting with him, during which I had to raise certain things. I am getting a list of things together to talk to him about at the finance interministerial standing committee.

I have actually just been given an update here. We have agreed with CST to apply a bespoke arrangement to set the baseline for the block grant adjustment for the aggregates tax. We will use the outturn for the year of the tax's introduction, which is 2026-27. That will ensure compatibility between the Scottish aggregates tax and the UK aggregates levy and avoid distortions in year 1 revenues.

I had not realised that—progress has been made beyond what I had understood.

John Mason: That sounds good. It is encouraging that it is progressing. How about bonds? Are they still being looked at, and is that work progressing?

Shona Robison: We are making progress with bonds—I have given an update on that previously. We are continuing with the due diligence process, in line with what I set out in the 2025-26 budget and the MTFS. There is more work to do, particularly to establish specific structures for a successful first bond issuance and to create the framework for future years. I hope to be able to say more on that later in the year, ahead of the 2026-27 budget. Things are progressing as we would expect. I am happy to give the committee an update on key points.

John Mason: What about work on air departure tax?

Shona Robison: I will ask my official, Lucy O'Carroll, to come in on ADT.

Lucy O'Carroll (Scottish Government): We are actively working with the UK Government on air departure tax. We have published the high-level principles for ADT, which will help to shape further policy development. We have already recognised the role that air connectivity plays and that ADT could and should make a contribution to reducing emissions from the aviation sector. We will be looking at the rates and bands, including on private jet flights, which is a particular area of interest and concern. That will be looked at prior to any implementation of the tax. Until implementation, the UK-wide air passenger duty will continue to apply. It is an on-going area of work that my team is very closely and actively involved in.

John Mason: It is good that the work is progressing. Have we any timescales for it at all?

Shona Robison: We are working with the UK Government to address the issues that have been the reason for this work taking a long time, including making sure that we protect Highlands and Islands connectivity and that we have a system that complies with the UK Government's subsidy control regime. Discussions are progressing well. We will come back with a timeframe that we think is realistic.

John Mason: Might it be five years, or 10 years?

Shona Robison: I will come back to you on that. I feel that discussions with the UK Government are in a better place now.

Lucy O'Carroll: Yes, we are certainly having very constructive discussions at an official level, and we have found UK Government officials to be extremely helpful.

Shona Robison: So there is some helpful movement there.

John Mason: That is positive as well.

I will ask my final question. I was a little surprised to see that there is still a section about assignment of VAT in the fiscal framework outturn report.

The Convener: I have just been whispering about that with the clerks. We thought we had kicked it into touch long ago.

John Mason: That is exactly my point—the convener takes the words out of my mouth. I think that the cabinet secretary had indicated before that it would not happen, so I am surprised that it still features as a possibility in the report.

Shona Robison: In practice, it would be highly unlikely that we would move forward with that under the current arrangements. I have said that before. I will have a look at the wording but, for the avoidance of doubt, it is neither our intention, nor that of the UK Government, to move forward with that because of the inability to resolve the risks. If the wording does not properly reflect that, we will have a look at it.

11:15

John Mason: One part of the report says:

"The Scottish Government remains committed to fulfilling Smith recommendations",

which includes VAT,

"but must also protect the Scottish budget from unnecessary levels of risk."

That is fine, but I thought that you might have said, "We are forgetting VAT—we have agreed with the UK Government that that is not happening."

Shona Robison: I guess that that is just drawing the distinction between saying that we would like to have VAT along with all the other revenue-raising powers, but that it cannot be through a system of assigned revenues. It is a matter of distinguishing between the principle and what was being suggested in relation to assigned revenues, because that is where the risk is. If the UK Government was to turn around tomorrow and say that it will give us responsibility over VAT full stop, that would be a very different matter.

John Mason: It is helpful to get that clarification.

The Convener: Exactly. While you are at it, we would like the devolution of fags, bevvy and fuel—that would bring a few bob into the Scottish Government's coffers.

Craig Hoy (South Scotland) (Con): Good morning, cabinet secretary. In response to Mr Greer, you talked about how you would like to ensure that local government is empowered. I do not say this very often, but I have full sympathy with you in respect of the timing of the UK budget and the knock-on effect that that will have on the Scottish budget. That will also have a knock-on effect for Scottish councils; they are very concerned that they are in effect the last link in the chain, which could cause them real issues.

However, there are certain things that you could do now to make their job easier. In respect of your remarks to Mr Greer, do you rule out a council tax freeze next year in order to allow councils to start their modelling earlier?

Shona Robison: I am not going to start ruling things in or out at this evidence session, but we have been pretty clear that we want to work with local government. The framework that I described earlier was about full transparency, open books, no surprises and all that.

On your first point, about timing, I want to assure local government that we very much have its budget-setting deadlines in mind in thinking about how we give enough certainty to local government. Some of that could be to do with what level of agreement we can reach and when with Opposition parties on the budget. I want to be able to give local government enough certainty about their envelopes so that their budget-setting cycles, which run through late February into early March, are not interrupted.

I assure you that that is a priority in my thinking. We need to make sure that councils are able to set their budgets.

Craig Hoy: I will reverse a bit because of that politician's answer. Do you therefore anticipate that councils will be able to set their council tax rates next year? That would be one of the levers that they have at their disposal. If they are doing pre-planning, they will want to anticipate what their multiyear increases will be.

Shona Robison: We will set out the position on that at the budget, but I have pointed to the framework and the principles around that.

Craig Hoy: Looking forward, which is, obviously, the purpose of this evidence session, how concerned are you, on a scale of one to 10, about the underlying issues that we now face in the budget, in terms of both your projected spend and your projected revenues?

Shona Robison: I set out in the MTFS and the fiscal sustainability delivery plan the measures that we will have to take to ensure that we continue to provide the services that we want to provide and meet the key priorities that we have set out. The reductions that are set out—mainly through workforce reduction and reform, shared services, doing things differently, efficiencies and better value for money—all face in a direction to ensure that we can balance our budget every year, as we are required to do, and that we can afford the important interventions that we have set out, such as the Scottish child payment and real-terms increases in health funding. That requires us to do all those things, and we are not the only ones doing it. The UK Government is doing it as well, as is the Welsh Government.

Although funding is increasing, the pressures, demographic changes and all that are outstripping that funding. Unless something changes, that will remain the case.

In short—yes, that is what we have to do and that is what we have set out in the spending review. We will show the envelopes going forward and, obviously, it will be up to Opposition parties if they want to change those envelopes, as per the SFC's challenge.

Craig Hoy: However, you concede, as the SFC does, that the gaps between the Scottish Government's spending projections and the available funding are significant. Do you accept that at this point?

Shona Robison: That is why we took action in June to set out where we would close the gap. Clearly, there are some moving parts around the spending review. For example, on social security spend, the updated forecasts in the autumn will show the movement in the block grant because of the U-turn on welfare policy, which will probably adjust the projection by about £440 million by 2029-30.

There are other unknowns—for example, if there is an announcement on the two-child cap; we have factored in about £150 million to start with, but that grows as the projection goes towards 2029-30. At the moment, there are some unknowns that will impact on that gap, in addition to the steps that we have already set out. We will make sure that the committee is updated as we get confirmation of those forecasts.

Craig Hoy: The SFC's projection of a £4.7 billion gap identifies that it is £2.6 billion in resource spending and £2.1 billion in capital spending. How concerned should we be that the capital spend gap is proportionately more, given that capital expenditure is, in one sense, funding the engines of growth—the physical infrastructure? Is that a long-term concern?

Shona Robison: I touched on that earlier. The problem is that the spending review has not been good for us in resource or, indeed, capital. The capital projection is on a declining trajectory, at a time when we want to be investing and we have ambitions. You are right about the link between infrastructure investment and growing the economy. We have set out some ambitious targets, for example, for the spend on housing—£4.9 billion—which is a mixture of public and private investment. Levering in private sector investment in mid-market rent, for example, is very important and will be a big contributor to affordable housing.

We are also looking at how we can expand that envelope beyond capital departmental expenditure limits—CDEL. That means that we are looking at things such as revenue finance, outcomes-based borrowing, local government and other ways of expanding that capital envelope. We cannot stick only to CDEL, because, as you pointed out, it is declining and there is a gap there. We are looking at ways of expanding that envelope, and I will set that out in the infrastructure investment plan and pipeline.

Craig Hoy: We will come to some of the detailed issues in a moment, but, when he was giving evidence to us recently, Andy Witty from Colleges Scotland said, in respect of the tax base:

> "You grow the tax base by having more people working and getting them to a working position quicker."—[*Official Report*, *Finance and Public Administration Committee*, 16 September 2025; c 7.]

What is the Scottish Government's strategy to increase the tax base in Scotland?

Shona Robison: Our economic plans through the national strategy for economic transformation are very explicit about growing the economy and playing to our strengths. We have a lot of economic strengths in key sectors. We have routed specific support through, for example, the expansion of offshore wind, the support for Techscaler innovation and the support for food and drink, making sure that we invest in areas of growth in the economy. We have a lot of success in attracting inward investment to Scotland, through Scottish Development International and other bodies. We are very focused on that.

We also need to reduce economic inactivity. That is not easy to do, but a lot of our employability programmes are focused on reducing economic inactivity and increasing the value of work and the hours that are worked. We touched on some of that earlier, in relation to the childcare offer and supporting women in particular to increase the value of the work that they do, which helps with their tax contribution.

Craig Hoy: In relation to the interplay between UK benefits and Scotland-specific benefits, would you accept, for example, having the Scottish child payment be dependent on universal credit? When you and I have talked in the past, you have said that you do not like to put cliff edges in, but would you accept that the interplay between those benefit systems puts in place a barrier to work? People will lose one benefit if they do more hours and therefore have greater earned income. The structure of the benefit system in Scotland is such that having some of it devolved may work against getting people into employment.

Shona Robison: When the Scottish child payment was introduced, it was important that we were able to get agreement from the UK Government Department for Work and Pensions that there would be no erosion of the support that people were receiving elsewhere—it had to be additionality. All the evidence points to that payment being the single most important intervention to ensure that Scotland has falling rates of child poverty compared to those anywhere else in the UK. There is cross-party support and understanding of that.

It is important that there are no cliff edges. For example, I am thinking about calls to increase the Scottish child payment. There is a balance to be struck there. As long as the payment continues to increase with inflation, I think that it is at about the right level. It is one of the pillars of support, but getting people into work is the best route out of poverty. We need to make sure that the Scottish child payment continues to lift children out of poverty, I think that it is at about the right level to do that.

If it were much higher, there would be a question about whether it would become a barrier to work. However, I do not believe that there is evidence to suggest that it is a barrier at present.

Craig Hoy: The other issue that we have discussed in the past is adult disability payment and the difference between Scotland and the rest of the UK. Recently, Professor Breedon from the Scottish Fiscal Commission gave evidence that

> "the idea is that the reviews are largely, but not entirely, self-certified, whereas in the UK system, that is less the case. We can reasonably expect that, if people are self-certifying, they are much less likely to sign themselves off a benefit than they would be if they were reviewed elsewhere."—[*Official Report*, *Finance and Public Administration Committee*, 2 September 2025; c 23-24.]

Are you concerned that, as a greater percentage of the budget in Scotland is taken up by social security, and the ADP is rising significantly, you will have to address the criteria and the assessment process or, otherwise, it could run out of control?

Shona Robison: Let me say a few things. We have explored that at length—I know that, when Shirley-Anne Somerville gave evidence to the committee, she explored some of the issues. It is worth bearing in mind that the system that has been set up in Scotland was based on cross-party support for the secondary legislation that set out the eligibility methods for social security. All the parties in the Parliament wanted the principles of fairness, dignity and respect and there was cross-party consensus on the criteria for assessment and so on. The system did not emerge out of nowhere—quite rightly, people wanted it to look and feel different from the system south of the border.

That said, it is important that we have a system that works for those receiving the benefits and for the taxpayer. For example—again, we have explored this at length—the difference between the reviews and assessments by the DWP and those by Social Security Scotland is not as black and white as the figures suggest. Shirley-Anne Somerville made the point that getting it right first time means that there are less likely to be successful appeals. If I remember correctly, the figure is reduced to about 9 per cent if you consider the number of people who win their appeal under the DWP system. Although there is still a difference between Scotland and the rest of the UK, it is markedly narrower because of the number of cases that are won on appeal.

11:30

You probably heard from Shirley-Anne Somerville that Social Security Scotland is looking at the reviews. To be fair to Social Security Scotland, the focus has been on safe and secure transfer of existing cases. Given that the number of cases is about 350,000, it was important to ensure that that was done properly. Social Security Scotland is now looking at how the review system can ensure that people receive the money that they should receive and that their needs are as they were previously, because some people’s needs change.

Shirley-Anne Somerville also put on record an important point, which is that the proportion of the resource budget that the Scottish Government has chosen to invest in enhancing social security in Scotland compared with England and Wales is projected to increase by less than 1 per cent by 2029-30, compared with the current financial year. As I said earlier, there are some moving parts around welfare reform—U-turns and the two-child cap—so that figure might reduce even further, because the forecasts have not been adjusted—

Craig Hoy: You would concede, however, that enhancing the benefit system is one thing, but having more people on an equivalent benefit is a much deeper problem. When they were in front of us, Professor Ulph and Professor Breedon accepted that there was an issue around transfers; they said that they had relative confidence that an underlying trend exists in the Scottish system that is of concern. That will emerge quite clearly between now and the end of the decade.

Shona Robison: I go back to two points. The first is that getting it right first time is important. The second is that Social Security Scotland has said that the review process is the next phase in making certain that what people are getting is what they are entitled to.

Craig Hoy: In respect of the £36 million that have been misclaimed or obtained through fraud, which you said it would be inhumane to draw back from people, will you get tough on those who misclaim benefits and, when there is an overpayment, will you be robust enough to reclaim that money?

Shona Robison: Let me deal with the £36 million. That relates to the total sum of historic devolved debts that were either transferred to the Scottish Government under devolution or accrued under the lifetime of the agency agreement, when the DWP was still administering. That is historic debt, not somehow something that was created—

Craig Hoy: What message does it send if the Scottish Government says that it will in effect just let £36 million of taxpayers’ money go?

Shona Robison: We will not let it go. Social Security Scotland will continue to take a zero tolerance approach to fraud. Any decision to write off any debts will be made only on an exceptional basis and after a full assessment has been taken.

I can take you through a lot of the detail of what Social Security Scotland is doing. It is using intelligence gathering and working with partners to identify and respond to fraud quickly and effectively, and suspected fraud is actively being referred to the Crown Office and Procurator Fiscal Service—a number of cases are already with the Crown Office, and it is ensuring that it is recovering overpayments. It has recovered a significant amount of money in the past two years. Although more needs to be done, I would not want anybody to have anything other than the impression that Social Security Scotland takes a zero tolerance approach to overpayment or fraud.

Craig Hoy: Perhaps the media coverage spoke to another narrative.

Shona Robison: That does not mean that it is correct.

Craig Hoy: No, but the words were put in the public domain.

Finally, I move to two potential risks. The first relates to public sector pay. You set a policy of a 9 per cent increase, but all the public sector pay agreements that have been made so far are projected to be ahead of that. Are you now in the territory of saying to public sector workers who have had pay deals that they should expect nominal pay settlements of about 1 per cent in the third year? In effect, that is where things will end up, unless you are willing to bust your pay policy.

Shona Robison: Look—I say again that, in setting pay policy, we draw on the range of judgments that are in front of us at the time. The policy was based on inflation forecasts over the three-year period and on a desire for long-term certainty on public sector workers’ pay. That is why we tied in the fact that anything that went beyond 3 per cent for year 1 would have to be a multiyear deal. We had to buy some peace in the industrial landscape through multiyear deals, and we have been quite successful.

Craig Hoy: Maybe you bought peace too generously.

Shona Robison: The cost of industrial action cannot be overestimated. Imagine how many appointments would be cancelled in the NHS if there was widespread industrial action—that would well outstrip the value of the pay deals.

Another thing to bear in mind is that it is difficult to walk away from the verdicts that have been given by UK public sector pay bodies, which we do not control. The UK Government set a policy of a 2.8 per cent pay increase, but pay review bodies’ verdicts went way beyond that. They took into account a more up-to-date inflation figure, because they had it to hand. To be fair to the UK Government, it was left in the same position as we are in. What is the point of having an independent pay review body if you ignore its findings? The UK Government did not ignore the findings, and it would have been difficult for us to ignore them.

Through having mainly two-year deals, we can now focus all the effort on reform, efficiency and doing things differently, rather than on the annual round of pay negotiations. That has a big value, and it is what my colleagues and I are focused on. We have been pragmatic. We have tried to land somewhere reasonable that gives some certainty, buys us some peace and gets us moving into reform territory.

Craig Hoy: I have one final short question—sorry, two questions. You said that the work on reducing the overall size of the Scottish Government and on the invest to save scheme is fundamentally important. Will you confirm how many applications were made to the invest to save scheme?

Shona Robison: I will check and come back to the committee—I do not remember what the figure was, but there was a lot of interest.

Craig Hoy: On 7 August, the response to a freedom of information request said that 24 bodies submitted applications and there were 40 applications in total. Among the 24 bodies were different Scottish Government directorates, health boards and local authorities. What does it say about the appetite for public sector reform that 24 of 140 to 200 bodies made a submission to that ambitious and wide-ranging scheme?

Shona Robison: I have two things to say about that. First, those bodies might have been further advanced in their thinking to be able to put in the proposition, which had to be quite detailed and robust. Secondly, no part of the public sector is going to be able to stand back and say, “This is not for me.”

Craig Hoy: Clearly, some bodies are doing that.

Shona Robison: No, they are not. If a body did not put in an invest to save proposition, that does not mean that it is not getting on with reform work in its area. It will have to meet the efficiency targets and the workforce reduction targets, whether or not it put in a bid to invest to save. It is not that bodies only have to do that if they put in an invest to save bid.

Some of the bids will be a bit more ambitious, so some money is needed to oil the wheels of change, but not every change needs such money to be invested. The invest to save scheme is not the only story in town; it is an important one, but a lot of other work is going on in the background.

Craig Hoy: This is my very final question, convener.

The Convener: Excuse me, how many questions are you thinking of having?

Craig Hoy: It was a two-part question, and the second part is coming. On the 0.5 per cent workforce reduction target, Professor Graeme Roy told us that he was concerned that, if you rely too much on natural attrition, you will end up not having the right people in the right place. How do you avoid that becoming an issue?

Shona Robison: That could be an issue, which we need to avoid. The convener made a point about skills and experience. The approach needs to be managed; people will leave partly through natural attrition and voluntary severance, but organisations need to be mindful of who is leaving, because good-quality leadership needs to be retained in every organisation. We expect organisations to have that very much at the front of their minds.

Craig Hoy: Thank you for your forbearance, convener.

Michelle Thomson (Falkirk East) (SNP): I will try not to ask too many questions, because it has been a long session for you, cabinet secretary. First, I want to check what your approach is to the involvement of other political parties in the forthcoming budget. What approaches—if any—have you had thus far to try to influence your thinking?

Shona Robison: We are trying to build on the progress that we have made previously. We are keen to hear ideas and have discussions about where there might be landing space for support for the budget. There are relationships to build on from last year’s budget, when we secured the support of Liberal Democrat and Green colleagues, but we will continue to have discussions with others.

I am mindful that Mr Hoy’s colleague Liz Smith will be keen to get support for her Schools (Residential Outdoor Education) (Scotland) Bill, for example, so that may bring a different approach to the budget.

Liz Smith: It is just like your manifesto of 2021.

Shona Robison: Well, you know, you cannot will the means.

I hope that there is a genuinely constructive discussion, whether it is about Liz Smith’s bill or other issues, and we are approaching the budget in that vein.

Craig Hoy made an important point about local government budgets. Through no fault of our own, we are late because the UK budget will be at the end of November, and we have the backstop of the dissolution of Parliament. I would like us to think about whether we are able to take a more pragmatic, consensual approach and agree not to draw out the drama through the various stages of the budget. Apart from anything else, local authorities need to know their envelopes. We are keen to see whether there is space to build on that.

Michelle Thomson: That leads me to my next comment, which is about local government. You have mentioned this a couple of times but, in your previous appearance here, you noted that the Scottish Government is keen to codify the local government fiscal framework. You mentioned some of the considerations, such as transparency. I want to check where you are with that codification.

Shona Robison: A lot of work has been done to try to put a ring around things that can be agreed on. I am working with local government on codifying elements of how we do business in relation to budgets, so that that becomes the framework. That is about having no surprises, early engagement, an open book approach and so on.

We have made good progress, but there is a bit of frustration that one or two things have prevented us from agreeing to and publishing the framework. I am optimistic that we can get there, because it is 95-plus per cent of the stuff that councils say made a huge difference to budget setting for 2025-26.

Michelle Thomson: I move to my next wee point. You know that, in relation to last year's budget, I was quite critical about any plans to use ScotWind funding for other types of spend.

I know that you cannot give spoilers about the budget, but I seek some reassurance that ScotWind funding can continue to be used for the purpose for which it was originally set out—that is, to support growth in a very important sector. Will you give us a steer on that?

11:45

Shona Robison: I am sympathetic to that point. There were some good examples in the 2025-26 budget in that regard, including the support to Shetland and Orkney for infrastructure and investment in their connectivity space.

Michelle Thomson: I have a question about trading standards and public administration. We have ended up getting quite embroiled in talking about public sector head count and accountability, but one benefit—as I have talked about in earlier commentary—stems from having shared services. We know that the trading standards service in Scotland is at quite a critical juncture. The service is administered through all 32 local authorities, which has led to it becoming very fragmented. It is an example of a service that might be more efficient and more effective, from a provisioning of service point of view, if another model were created.

Once we get past the public sector focus on the civil service, will that sort of issue be looked at sympathetically? I think that the intention of leaving the service to local authorities was probably a good one, but it is no longer functioning as it should, because it is so disparate and fragmented.

Shona Robison: We will have to have an honest conversation with local government. I am conscious of the conversation that we have just had about the fiscal framework and about there being no surprises. The shared service space is a massive opportunity for local government, so there is a discussion to be had about what lies best where. Some activities might be best done on a regional basis, and some might be best done on a once-for-Scotland basis.

The same issues apply to planning, although that is a little more complex because of planning authority rules. We have developed the national hub to supplement the role of local government in planning decisions, because local authorities are all battling for the same people and fishing in the same pond of a small number of individuals. You see people moving between authorities.

To be honest, it would get me into some difficulty under the Verity house agreement if I said to local government, "You have to share services here," but councils really need to begin to think about shared services. There are good examples, including waste management services that are provided by one authority to others, which has saved a lot of money. However, that needs to happen by default. Local authorities need to look at whether they can provide a service on a regional basis, because the fiscal position requires them to consider that.

We will continue to have such discussions. Trading standards is a good example of where we might be coming to the point at which there is no choice but to share the service, but we need to do it on a planned basis rather than as a result of service failure.

I am keen to continue to have those discussions and to look at ways of encouraging and incentivising such thinking.

Michelle Thomson: I have a teeny last question. Last week, I had quite an interesting exchange in the chamber with Angus Robertson, the culture secretary. I was asking a question about the assessment of the fiscal sustainability of our performing arts companies. We had a good discussion about how important they are, what value they add, and so on.

It appears that there is some differentiation between the performing arts companies in relation to how focused they are on their fiscal sustainability and understanding the gross value added that they bring into the wider community. It is too late for this budget cycle, but that made me think about how consciously we look at those organisations from a fiscal and financial perspective, rather than just saying nice things about them because they do nice things for our community. The culture secretary was very open to that point. There is a bit of a silo because they go through culture, and nobody looks at them. Those organisations have to be sustainable, and they are very grateful for the support that they get from Government, but do you have any reflections on how actively that scrutiny goes on in the Scottish Government?

Shona Robison: We have had deep dives within each of the portfolios, looking at line-by-line spending decisions, including in the culture space. Those discussions are very active. Although there is an increasing profile of investment in culture, those organisations absolutely need to ensure that they are fiscally sustainable and are delivering value for money. For example, could they be looking at whether something could be done in the shared service space? Could the national performance companies share personnel? They need to look at all that in the same way as any other organisation would.

Creative Scotland is going through its review. It needs to be active on fiscal sustainability. A lot of organisations could be more effective at attracting private sector funding, for example, and it could support them to have the means to go about that. Some organisations are very effective in that area, while others are not. It could look at sharing best practice in attracting investment from elsewhere, as well as in organisations using the core funding that they receive. So, the short answer is yes; organisations should absolutely look at all of that.

Michelle Thomson: That is what I have seen them doing. The Royal Scottish National Orchestra in particular has been very successful with its music for films and so on. It has really started to differentiate itself.

The Convener: Interestingly, the Finance Committee that ran from 2011 to 2016 took evidence from organisations such as Equity, the BBC, Channel 4 and Creative Scotland. However, such organisations do not really respond to calls for evidence from this committee. I think that they just give evidence to the Constitution, Europe, External Affairs and Culture Committee, which then makes recommendations through its own report. However, there is no reason why we cannot speak to them. We are not all philistines.

Incidentally, in Vilnius, Lithuania, there are, within a few hundred yards of each other, an opera house, a concert hall and a third hall, which is being built as we speak. They clearly see that the arts are an opportunity to boost revenue.

In terms of sharing services, a lot of councils already share payroll, council tax collection and roads management. There is an issue with regard to trading standards. There are 250 fewer trading standards officers than there were a few years ago. One of the issues that local government will continually raise with you is that non-statutory services have been hit really hard in recent years and that the room to manoeuvre is limited.

To finish off, I have a question on taxation, which we have not touched on. Professor David Heald, who has often given evidence to the committee in the past, although not recently, has always railed against the chronic state of the UK tax system, which is anything but progressive. He has often shown us a graph. One thinks of income and taxation as a steady line, but in actual fact it is a bit like the skyline in New York, going up and down. We have to work within that framework. However, we still have anomalies in Scotland whereby—I have mentioned this in previous years—the marginal rate of taxation for someone earning £44,000 a year is higher than for someone earning £51,000 because of the interplay between income tax and national insurance.

The medium-term financial strategy mentions two key measures to ensure a strategic approach to tax: The first is

> "to improve the operation and performance of the existing tax system",

and the second is

> "Future tax reform to deliver sustainable and growing tax revenues".

What improvements to the operation and performance of the existing tax system do you have in mind? What future tax reform will deliver those sustainable and growing tax revenues?

Shona Robison: I recognise the issue about the marginal rate. It is very difficult to do anything about it in the current climate, given how much it would cost, but I do not dismiss that.

The first thing to say about the tax system is that the more people understand it, the higher the compliance rates. There is some complexity in the system, and people do not always understand how the Scottish tax system is different, or even that we have a Scottish tax system and what that system is. We have been doing work to raise awareness of what the Scottish tax system is and what people's obligations are, because we want to drive high levels of compliance with that system.

Aligned with that is the issue of stability. We have provided stability on income tax for the remainder of this session of Parliament. That will help people to manage their finances, and it will help businesses to plan and to make investment decisions with confidence, knowing what the future holds. That is why we made that decision.

I should say that, for the first time, the MTFS identifies areas of research interest on tax to support the gathering of evidence and the evaluation of tax policy, because we want to ensure that, whether on enhanced compliance, taxpayer communications or tax legislation, we have the best available evidence for future decisions. As you know, we are considering future reforms in relation to land values, in particular, and we have asked the Scottish Land Commission to look at that. However, those are matters for the future rather than the immediate term.

Earlier, I mentioned that we are looking at how to generate additional tax revenues, partly to ensure that our economy is growing. We have some good indicators on the Scottish economy, even though times are tough. There are UK Government policies, such as the policy on ENICs, that have had a dampening effect on recruitment and the growth of companies. The ENICs increases have definitely had an impact on vacancy rates. As a counter to that, some sectors in Scotland are doing extremely well. We want to make sure that, through NSET, our policies, our support and our agencies are facing in the same direction to help those sectors to continue to grow and to do well. Many of them do very well on the global stage, not just in a UK context.

That was a long-winded answer. We are looking at certainty, compliance and the growth of the economy.

My final point is that one lever that we do not have, which is critical to many of our sectors, is the one that relates to skills and migration. Many sectors tell us all the time that they cannot get the people they need and that it is more difficult for them to recruit from elsewhere. That is a major impediment.

On the positive side, we still have net in-migration to Scotland from the rest of the UK across all tax bands. That is a good thing, but we would like to do more in that space, because there are sectors that want to recruit.

The Convener: There are 55 million people south of the border, and there has been a net influx to Scotland from the rest of the UK. It is important that those people are of working age. However, some areas, such as aerospace, say that the highest rate of tax in Scotland is a deterrent when it comes to attracting the engineers they would like to attract.

Incidentally, in Lithuania, where we were last week, the top rate of tax is 32 per cent, as compared with 48 per cent in Scotland. Not every country in Europe has very high rates of personal taxation.

I think that we have given this morning’s discussion a really good go. Your responses have been very helpful to the committee, and I thank you and your officials for coming along.

Are there any final points that you would like to make to the committee before we wind things up?

Shona Robison: I simply want to say that we will come back to the committee on the areas on which we said that we would provide more information, which we have taken a note of. We will do that as quickly as we can, and we will keep in contact about the date of the budget. I will reflect on what has been said about that.

The Convener: That is great. Thank you very much.

Meeting closed at 11:59.

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