



OFFICIAL REPORT
AITHISG OIFIGEIL

DRAFT

Finance and Public Administration Committee

Tuesday 7 January 2025

Session 6



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Pàrlamaid na h-Alba

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FINANCE AND PUBLIC ADMINISTRATION COMMITTEE

1st 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:

Stephen Boyle (Auditor General for Scotland)

Ewan Cameron-Nielsen (Scottish Government)

Fiona Diggle (Audit Scotland)

Alison Irvine (Transport Scotland)

Chris Kerr (Registers of Scotland)

Garry McEwan (Food Standards Scotland)

Ivan McKee (Minister for Public Finance)

Mary Morgan (NHS National Services Scotland)

Jane Morrison-Ross (South of Scotland Enterprise)

Lynne Raeside (Scottish Funding Council)

CLERK TO THE COMMITTEE

Joanne McNaughton

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Finance and Public Administration Committee

Tuesday 7 January 2025

[The Convener opened the meeting at 09:00]

Subordinate Legislation

Land and Buildings Transaction Tax (additional amount: transactions relating to second homes etc) (Scotland) Amendment Order 2024 (SSI 2024/367)

The Convener (Kenneth Gibson): Good morning, and welcome to the first meeting in 2025 of the Finance and Public Administration Committee. I wish you all a happy new year.

The first item on our agenda is an evidence-taking session with the Minister for Public Finance on a piece of subordinate legislation. I intend to allow around 30 minutes for the session, and I should say that the minister is joined by Scottish Government official Ewan Cameron-Nielsen, who is head of the fully devolved taxes unit. I welcome you both to this morning's meeting.

I invite the minister to make a short opening statement.

The Minister for Public Finance (Ivan McKee): Thank you very much, convener. Good morning to you and the committee, and a happy new year to you all.

The Land and Buildings Transaction Tax (additional amount: transactions relating to second homes etc) (Scotland) Amendment Order 2024 provides for the changes to the land and buildings transaction tax rates and bands that were set out in the Scottish budget on 4 December 2024. It increases the rate of the additional dwelling supplement from 6 per cent to 8 per cent, with the change intended to protect opportunities for first-time buyers and home movers by further helping them compete with buy-to-let investors and second home owners.

The change is also forecast to raise much-needed revenue at a time when public finances are under significant pressure. The Scottish Fiscal Commission estimates that it will raise an additional £32 million in 2025-26 and £31 million a year on average over the remainder of the forecast period through to 2029-30.

As you will be aware, the legislation provides for the rate increase to take effect the day after the Scottish budget statement—that is, on 5

December 2024. That is now a well-established arrangement for such changes; it prevents the possibility of forestalling, which would have reduced the revenue impact next financial year and would have run counter to the policy intent. It is also intended to provide certainty for taxpayers with the acknowledgement that the legislation must be approved by the Scottish Parliament in order to remain in force. As with previous rate changes, the order includes a transitional provision to ensure that anyone who entered into a transaction on or prior to 4 December will not pay the increased rate.

At this point, I take the opportunity to remind the committee of my entry in the register of members' interests in respect of ownership of residential properties for let, and I look forward to members' questions.

The Convener: Thank you, and I should also mention that I, too, have a property that I let.

Thank you very much for that opening statement, minister. With regard to the objective here—which, frankly, is to raise money as well as having an impact on first-time buyers—what do you believe the elasticity of demand is? Will the impact on the buy-to-let sector and on second homes be mirrored by the number of people who will buy their first property? I am just creating this example out of thin air, but if there are 100 fewer buy-to-let properties, does that mean, according to the Government's estimates, that 50 more people will be buying their houses, or will it be 150 or whatever? What is the Government's thinking on that? How does it look at the impact of this on the sector that it is hoping to boost? What evidence is there that, when the additional dwelling supplement went to 6 per cent, there was a boost to first-time buying?

Ivan McKee: There is quite a lot in that question. With regard to the impact on the number of properties, clearly the number of properties in the market will remain the same. They will be owned either by landlords or by residents—that is, owner-occupiers. The trend over a number of years has been a gradual reduction in the number of second homes from 27,000 to about 24,000 since 2016-17 or thereabouts, but it is hard to ascertain how much of that has arisen as an impact of this specific measure.

There has been a 14 per cent reduction in the number of ADS transactions, but there has been an 8 per cent reduction in the overall number of LBTT transactions. The reduction in the number of ADS transactions has been slightly higher than the number of property transactions in general, but it is hard to know how much of that is due to the specific measure.

With regard to the increase in ADS from 4 per cent to 6 per cent, the SFC based its forecast on an assessment of behavioural impact, but what we have seen is that the revenue from ADS has been higher than that forecast. The SFC has used the same methodology for its projections, which suggest a significant increase of £30 million per year or thereabouts in the revenue coming through from ADS as a consequence of those changes being taken into account.

The final point to make is about the number of registered landlords and registered properties. Over the past three years, the number of landlords has been broadly similar, and the number of properties has slightly increased, so I suggest that there is no evidence that there has been any impact on the market.

The Convener: If there were an equivalence in the number of people coming in to buy their first house as ADS increases, there would not be a £32 million increase. Obviously, therefore, you do not think that the behavioural impact will be that great or you would not say that there would be a £32 million increase.

You also say that there will not be an impact on the number of properties that are available to let, because it just means that people are buying a property and letting it out, rather than buying it to live in as an owner. However, surely, the issue with the build-to-let market is that houses are built with a view to letting them out. Has there been any impact on that sector?

Ivan McKee: On the build-to-rent market, transactions that involve more than six properties are excluded from ADS.

The Convener: I am aware of that, but having gone through the process myself, I know that not everyone buys six properties to let. I have one, for example, and there are maybe 20 people in the same block who are in that position. Will there be an impact on that market? We know that it does not impact on companies so much, but about 180,000 landlords in Scotland have one or two properties to let and the number of people who own swathes of property is fairly limited.

Ivan McKee: My point is that the investment to build additional stock for the market is not impacted, because companies that are investing significant amounts to build large numbers of properties are excluded from ADS. As I said, the data that we have suggests that the number of individual registered landlords has been broadly static for the past three years or so, and that the number of properties that are registered for let has increased. That would suggest that there is not that impact on the market.

The Convener: If someone now buys a buy-to-let flat for £200,000, they will have to pay £16,000

ADS. Will that not have to be transferred to the tenant who subsequently rents that property over a period of some years? Surely that will have an impact on the rent that tenants are expected to pay.

Ivan McKee: It will not impact on landlords who currently own property; it will apply only when a landlord buys a property, and that cost would be factored into the economics of that investment decision. The market rent would be understood by the landlord when making that decision, so that would all be factored in.

Rent is a separate issue in terms of rent controls and the proposed legislation in the Housing (Scotland) Bill. How rent controls are tackled is a separate issue.

The Convener: Okay. I have a lot more to ask on this, but colleagues are keen to come in.

Michelle Thomson (Falkirk East) (SNP): In your evidence thus far, it sounds as though the position is very complex, and the data that you have cited probably confirms that we are not entirely certain of the impact of the rise. Therefore, to pick up on the issue that the convener was probing earlier, is it reasonable and accurate to say that we do not have complete transparency—probably for a very good reason—about the impact of the original rise in ADS and that you therefore have not been able to model the potential impact of a subsequent rise from 6 per cent to 8 per cent?

Ivan McKee: A number of factors impact the outputs that result from these decisions—

Michelle Thomson: Correct.

Ivan McKee: —so, everything else being equal, you would be able to have a controlled experiment and to understand exactly what the impact was. However, you do not have that, because there are all kinds of factors that we could talk about. There is a range of things that impact the decisions that individuals make about investing in properties or whether to enter or exit the market as well as the number of transactions and so on—you name it.

However, we can say fairly certainly that the SFC took a perspective on the impact on behaviour of the previous increase from 4 per cent to 6 per cent but that the data has shown that, if anything, the SFC underestimated the revenue as a consequence of the increase and that there has been less of an impact on the market than was anticipated. That is certainly what the data suggests with regard to that particular point. The SFC then used similar data to make an assessment of the future impact and, obviously, time will tell what the impact will be. You can have a very robust set of data, but all the indications are that, in Laffer curve terms, we are still probably

well to the left of the inflection point with regard to ADS.

Michelle Thomson: Yes, although the evidence of the impact of the previous increase from 4 per cent to 6 per cent does not necessarily follow with regard to the increase from 6 per cent to 8 per cent. It is your view that that might be the case, but we do not actually know that and the only thing that we could be certain of, if we did projections, is that they would be inaccurate. I ask about that because I want to know how you can evidence your assertion that the increase will support first-time buyers rather than merely fulfil the intention to increase the tax take? I am not against that per se, but is it not quite a bold statement that the increase in the rate of ADS will necessarily lead to more first-time buyers being able to access property?

Ivan McKee: It is evident that, as a consequence of the increase, the differential between what a first-time buyer and a landlord have to pay will widen, and, therefore, when they are competing against an invest-to-let landlord to buy a property, a first-time buyer will have a competitive advantage. Again, everything else being equal, it is fairly certain that a first-time buyer—or any buyer who is going to live in the property and will therefore not pay ADS—will have an advantage in that regard.

Michelle Thomson: Okay. Convener, I should have drawn committee members' attention to my entry in the register of members' interests.

If I may, I will follow up one area in relation intra-landlord activity. There is evidence that, over time, quite a number of landlords have exited the market across the whole of the United Kingdom. That was triggered by the UK Government's withdrawal, some years back, of mortgage interest tax relief. More recently, some landlords have been choosing to exit the market but to sell with the tenant in situ, so that another landlord buys the property. That is done for the very good reason that the property is somebody's home. Surely a by-product of the increase in the rate of ADS will be more tenants being evicted, because a landlord will be less likely to buy properties. To what extent have you factored that consideration into any scenario planning that you have done?

Ivan McKee: That is an interesting point and I can see the member's line of thinking. I am not aware that that specific analysis has been done, but I will undertake to look at that scenario to see whether we can furnish the member with data.

Michelle Thomson: I do not know the names of the companies concerned, but I asked the question because I am aware that there has been increasing activity in landlord-to-landlord sales, which keeps tenants in place. Of course, at that

point, the landlord is knowingly and deliberately taking a cut in what they might be able to achieve on the open market, to allow the tenant to stay in situ, and rightly so. However, this measure could discourage investors from coming to the table. Therefore, it would be worth while to look into that.

Ivan McKee: Indeed.

09:15

Craig Hoy (South Scotland) (Con): Good morning, minister, and happy new year. It is clear from what you have set out that the measure is raising revenue, but it is less clear that it is meeting its policy objectives. If you were to give a percentage level of confidence and assurance that the measure is actually meeting the objective of protecting opportunities for first-time buyers, what would that percentage be? Would it be 10 per cent, 50 per cent or 80 per cent?

Ivan McKee: I do not think that we can express it in those terms. First of all, as I indicated, the data shows that the numbers of registered landlords and registered properties are staying flat—indeed, there has been a slight increase in the number of properties in the recent period. That suggests that the anecdotal evidence that landlords are leaving the market is just that—it is anecdotal. At this stage, the data absolutely does not support it. As I said, we have seen a reduction in the number of second homes over a period of time, and I think that that trend predates the increases in ADS. Clearly, the policy is moving in the right direction.

As you rightly say, the amount of revenue raised in the most recent period has been in excess of the SFC forecast, taking into account the behavioural changes that it has factored in, so that policy objective is being delivered. It is self-evidently true that the measure puts buyers who do not have to pay ADS in an advantageous position over buy-to-let landlords, which is clearly the policy intent.

Craig Hoy: This is obviously a complex area, as you have alluded to. In relation to landlords' sentiment, you talked about the supply being generally flat at the moment. What about the demand from tenants? Edinburgh, for example, has had the highest increase in rental prices anywhere in the United Kingdom—it was 12.6 per cent between 2022 and 2023. Although supply is flat, demand is rising and therefore, in a perfect market, you would surely assume that more people would enter the market to increase the supply.

Ivan McKee: You could argue that. However, as I say, the narrative that landlords are leaving the market clearly is not the case. You can compare that with the counterfactual of what would have

happened had the policy not been introduced, but it is not true that landlords are leaving the market. It may be true that not as many are entering the market—I take that point—but, as I said, I do not think that we have data that supports that one way or the other. There is clearly a broader issue around housing supply more generally, but that is outside the scope of this discussion.

Craig Hoy: Is the principal policy intent to tackle what some people perceive as an unregulated buy-to-let market? That goes alongside some of the measures that you have introduced in relation to rent controls, evictions and so on. Alternatively, were the sort of people who want to buy cottages in Elie as second homes also in your sights?

Ivan McKee: It is probably not true to say that it is an unregulated market; it is quite a well-regulated market, but obviously there are policy changes, some aspects of which are around the scope and extent of the regulation. However, as I said, that is outside the scope of this discussion, which is on ADS.

With regard to the impact, as its name says, ADS is designed for additional dwellings, so it covers second homes and properties that are let out. In terms of both of those, making more homes available for buyers who are owner-occupiers is the direction of travel that we are keen to see, to give more of an advantage to first-time and other buyers in the market.

Craig Hoy: You have said that you think that the policy is providing an advantage to first-time buyers. One issue that has come up in evidence that I have had from constituents is that, because rents are rising significantly, first-time buyers are finding it increasingly difficult to raise deposits to be able to enter the market in the first place. If rents are rising partly as a consequence of landlords hoping to maintain yields—for example, to recover the additional ADS—could that not mean that rents are rising disproportionately compared with those in the rest of the UK and that Scottish first-time buyers are therefore at a disadvantage, because it will take them longer to save the deposit to enable them to leave the rental market and go into the ownership market?

Ivan McKee: That was quite a roundabout argument. There are lots of things that would impact people's ability to have the funds to put down a deposit; rent is only one part of that. Other aspects are the cost of living, the measures that we are taking to support first-time buyers, and the increase in ADS, which I think will help to shift the balance in the market in favour of first-time buyers and others who are buying a property in order to live in it.

The argument that you are making is that the landlord is charged the additional ADS, which is

then charged to the tenant, who would be unable to pay a deposit as a consequence. I think that the impact of the additional ADS would be diluted in that process and I suggest that there are other things that are probably more significant for the tenant's ability to compete in the market, if they choose to do so. There is a lot of data on that across the piece, which you could look at, which could help to make that argument.

Craig Hoy: You have identified that there is a lot of data and that there are many other market-related issues. How and when do you intend to review the impact of the changes to LBTT and ADS?

Ivan McKee: We have just completed an ADS review that pulled up some specific items, or wrinkles, as you might want to call them, in the system, which we are addressing. An LBTT review is coming up shortly.

Ewan Cameron-Nielsen (Scottish Government): The Scottish budget for 2025-26 committed the Scottish Government to conducting a review of aspects of LBTT, which will launch in the spring. The review will be an opportunity to look a range of aspects of legislation and to reflect on how they are working in the current context, 10 years on from the introduction of LBTT. It will provide an opportunity to review various aspects of LBTT, potentially including ADS, although that would be for ministers to decide, based on discussions and engagement with stakeholders.

Craig Hoy: Would it not be better to hold off any further increase in ADS until you have more data and evidence from the review process?

Ivan McKee: It is an on-going process and will help to inform the broader LBTT picture. At each point in the budget cycle for the annual budget, we make decisions about what tax rates should be. At this point, I think that making the change in ADS rates is the right decision.

Craig Hoy: Finally, if there was any evidence to suggest that buy-to-let investors were leaving the market and that that was constraining supply, would the Scottish Government be willing to look at any form of exemption or reduction in ADS for those who buy properties for the purpose of putting them on the rental market?

Ivan McKee: Those properties are not going anywhere. If they are not bought by an investor to let, they will be bought by someone who will live in them. If those properties are being bought by someone who is going to live in them, we would not necessarily see that as a negative consequence. The issue of build to rent and investment coming in to add new capacity to the system, which is hugely important, is a separate issue, but it is outside the scope of ADS, because it does not apply to large numbers of properties.

Ross Greer (West Scotland) (Green): I should start with a note of thanks to the minister, recognising that I put the proposal on ADS to the Government on behalf of the Greens in discussions ahead of the budget, so I am glad to see that it is in the first draft.

I will follow on from Craig Hoy's line of questioning about the Government's ultimate policy objective, and take up the point that the minister made to Michelle Thomson about us being quite far left of the inflection point on the Laffer curve, as he put it. Is the Government's objective to maximise the benefit for first-time buyers and maximise behaviour change in the market and, therefore, reduce the amount of revenue that will be received as a consequence, short of the point at which we start to lose revenue as a result, or is there a point of balance before that that the Government is trying to reach? I am trying to understand to what extent the primary objective is to change behaviour as opposed to raising additional revenue.

Ivan McKee: It is important to recognise that the housing market is always going to be a mixed market, if you want to call it that. People will want to buy houses and people will want to rent them, because they want to stay somewhere for a short period of time or because it suits their financial, family or employment situation. There will always be a need for people to rent properties, so a supply of rental properties is obviously important to have in the mix. It is not that we want everybody to be a property owner; it is about recognising that there is a mixed market and understanding what policy measures we can take that are best suited to ensuring that the market is well balanced.

The measure, which supports first-time and other buyers to live in properties by giving them a competitive advantage, is the right thing to do. It fulfils a policy objective and raises additional revenue, which is clearly welcome, but there is no end game in the sense that we do not want to significantly alter the market in terms of the number of rental properties versus the number of owner-occupied properties.

Ross Greer: I have a small, specific point, which does not relate directly to the policy to increase ADS. Would the Government consider a potential ADS exemption in situations where a person in receipt of disability living allowance is able to live independently but is not able to own their own home, and a relative, for example, buys it for them?

I have had a couple of pieces of casework where someone has been liable to pay ADS because they have purchased a property on behalf of a disabled family member who can live independently but is not in a position to own the property.

Ivan McKee: Thank you for raising that issue, which I know you have raised before. There have been several tweaks made over time to the eligibility process, as various issues have arisen. We can certainly look at what scope there is to address that issue.

Liz Smith (Mid Scotland and Fife) (Con): Where is the evidence that this policy is improving investment in the housing market and the spirit of entrepreneurialism that the Scottish Government is very keen to deploy?

Ivan McKee: As I have said, investment in new builds and large purchases are outside the scope of the policy. There has been a slight increase in the number of registered properties, and the number of individual landlords is broadly flat, so the policy is not having a detrimental impact on the sector in the way that some may posit.

Liz Smith: To be specific, where is the evidence that the policy is creating investment potential in the housing market?

Ivan McKee: The purpose of the policy is to raise revenue and rebalance the market so that people who want to buy a house to live in—first-time buyers or otherwise—have a competitive edge over those who are buying a property to let.

The data shows that the number of registered landlords is broadly flat, and the number of registered properties has increased over the past two and a half to three years, so the policy is not having an impact on that.

Liz Smith: The overall scenario is that there are considerable difficulties in the housing market, which the Scottish Government and other parties are grappling with.

Is it not important that the policies that aim to address those concerns create investment opportunities, particularly for small developers and people who are there to provide a greater mix and supply of homes? I am interested in where the evidence is that the policy is driving that.

Ivan McKee: You have to distinguish between investment for the buying of existing properties and investment for the building of new properties. The investment is going into the market to—

Liz Smith: They are linked.

Ivan McKee: They are linked in the sense that, if you want to build new properties, there are a range of factors to be considered that are relevant to those decisions. However, at that end of the market, ADS does not apply to the purchase of more than six properties.

A typical buy-to-let landlord does not build a new property to put on the market; they buy an existing property to let it out. A property is either going to be bought by them or by someone who

wants to live in it, but the total number of properties in the market stays the same.

09:30

Liz Smith: However, do you agree, minister, that it all comes down to the issues that the convener raised about behavioural change? Behavioural change is important when it comes to not only demand for housing but supply, which Craig Hoy and Michelle Thomson mentioned. Surely there is a need for much more data to be able to see what effects the measure is having.

Ivan McKee: I have pages and pages of data in front of me. We know the number of transactions. We know what is happening with revenue, we know how that plays out against the forecast that the SFC put together for the previous increase, and, indeed, for this increase, we know what the tax elasticities are in the assumptions that it has made. We know what the numbers of registered landlords and registered properties are, we know what the revenue forecasts are and we know how the reduction in ADS transactions compares with the shift in the overall number of LBTT transactions. We have a lot of data, and the data suggests that that is not having the detrimental impact on the market that some might suggest.

If there is any more data that the member thinks that we should be looking at, I would be interested to hear what that would be.

Liz Smith: That was in my question.

The Convener: Thank you very much, minister and colleagues.

The next item on our agenda is to continue taking evidence on the Scottish budget 2025-26. Sorry—before we come to that, we had better finish off dealing with the subordinate legislation. My mind is already on the Auditor General for Scotland.

We turn to item 2, which is formal consideration of motion S6M-15749. I invite the minister to speak to and move the motion.

Motion moved,

That the Finance and Public Administration Committee recommends that the Land and Buildings Transaction Tax (additional amount: transactions relating to second homes etc) (Scotland) Amendment Order 2024 (SSI 2024/367) be approved.—[Ivan McKee]

The Convener: Do any members wish to speak?

John Mason (Glasgow Shettleston) (Ind): I did not ask any questions about the instrument, because I really think that the measure is self-evidently a good thing. It will, I hope, raise revenue and help first-time buyers. It just seems absolutely the right thing to do.

The Convener: The question is, that motion S6M-15749 be agreed to. Are we agreed?

Members: No.

The Convener: There will be a division.

For

Gibson, Kenneth (Cunninghame North) (SNP)
Greer, Ross (West Scotland) (Green)
Marra, Michael (North East Scotland) (Lab)
Mason, John (Glasgow Shettleston) (Ind)
Thomson, Michelle (Falkirk East) (SNP)

Against

Hoy, Craig (South Scotland) (Con)
Smith, Liz (Mid Scotland and Fife) (Con)

The Convener: The result of the division is: For 5, Against 2, Abstentions 0.

Motion agreed to,

That the Finance and Public Administration Committee recommends that the Land and Buildings Transaction Tax (additional amount: transactions relating to second homes etc) (Scotland) Amendment Order 2024 (SSI 2024/367) be approved.

The Convener: I thank the minister for his attendance and participation today.

Ivan McKee: Thank you very much.

09:32

Meeting suspended.

09:35

On resuming—

Budget Scrutiny 2025-26

The Convener: The next item on our agenda is to take evidence from two panels of witnesses on the Scottish budget 2025-26. First, we will hear from Stephen Boyle, Auditor General for Scotland; and Fiona Diggle, audit manager, performance audit and best value, Audit Scotland. I welcome you both to the meeting and wish you a happy new year, and I invite the Auditor General to make a brief opening statement.

Stephen Boyle (Auditor General for Scotland): Many thanks, convener, and happy new year to the committee. I am delighted to be with you this morning to speak on my recent report on fiscal sustainability and reform in Scotland.

The report found that the Scottish Government continues to take short-term decisions about how public money is spent and that it has not yet been sufficiently transparent with either the Parliament or the public about the current fiscal situation. My assessment of the Scottish Government's approach to public sector reform also shows that the Government is clearly aware of the need for reform but has not yet shown the necessary leadership to support Scottish public bodies to deliver a comprehensive and effective programme of reform.

Although my report was published prior to the publication of the draft Scottish budget, I am satisfied that its findings remain valid and, I hope, useful for the committee in its scrutiny of the budget. Indeed, there is a clear overlap and crossover between the committee's findings in its recent report and those of Audit Scotland.

The Scottish Government continues to face many challenges in managing its finances. The recent budget shows an increase in funding for the Scottish Government but, as the chair of the Scottish Fiscal Commission highlighted in his recent letter to the committee, after accounting for social security, resource spending in other areas is falling in real terms by 0.3 per cent between 2024-25 and 2025-26. The position for capital funding next year is more positive, with forecast growth of 12 per cent in real terms compared to the current financial year.

The funding changes that have been announced in the 2025-26 budget—most notably the £30 million invest-to-save fund—recognise the costs of implementing reform. However, the Scottish Government has not yet made clear its vision for how it will change the delivery of public services to make them financially sustainable. Therefore, the

extent to which that fund can deliver the necessary change is uncertain.

A key finding of my report is that the Scottish Government should be more transparent with both the public and the Parliament about the fiscal situation. As the committee will know, some key documents have been delayed, which makes scrutiny of the current finances more difficult. Further transparency is required, including in relation to some of the key policies of the 2025-26 budget that were not costed.

Although my report focuses on spending and reform, the other two key pillars of the Scottish Government's approach to fiscal sustainability are the economy and tax. I welcome the publication of the tax policy alongside the budget, and the clarity about public sector pay intentions for the next few years. The Scottish Government needs finally to be clear about the role that it expects tax policy to play in achieving fiscal sustainability, and about the importance of the relative growth of the Scottish and UK economies.

Fiona Diggle and I look forward to answering your questions.

The Convener: Thank you. The report is excellent and very detailed. It is quite excoriating of the Government in some areas—no doubt we will touch on those in the next hour or so.

One of the issues that you mentioned was transparency. The committee produced a pre-budget scrutiny report for 2025-26, and we just received the response to it on Christmas eve. The section of the response on reform was not impressive, so we will raise the issue of reform with the Government as we progress.

Some of the issues that I was going to ask you about directly are ones that you touched on in your statement, so I will not go over that ground again. However, I will touch on a number of areas that you spoke about. I do not mean to say that what you said is repetitive, but you repeatedly emphasised that you have a number of concerns.

Rather than start at the beginning, let us go into the middle. In paragraph 37 on page 14 of your report, you say:

"Additional spending on pay deals would need to be covered by cutting spending in other areas, re-designing services, reducing headcounts or increasing taxes or charges."

Do you feel that the Government's policy on no compulsory redundancies has had an impact on that? The policy was introduced as a one-year policy in 2008 at a time of severe financial cuts due to the financial crash, but it has continued for 16 years. Has it had any impact? I understand that, in some areas of the public sector, there are people who have been redeployed because there

is no longer a job for them but they cannot be made redundant.

Stephen Boyle: I think that that is a very important factor in the Government's ability to transform or deliver the services that are consistent with its vision for the size of public services.

As we touched on in part of the report, some public sector leaders are keen to explore the boundaries of the use of redundancies. In some sectors, Scottish public bodies are already making redundancies. For example, Scotland's colleges—as we have reported on over the past few years—are in exactly that position of making some of their employees redundant just to manage their books consistent with their allocation.

I have a couple of other points to touch on. Removing the no-compulsory-redundancy policy is not a prerequisite to deliver effective reform or to balance the books. As you alluded to, convener, it can be done in other ways, such as through redeployment arrangements and by moving people from one body to another, if that is a possibility.

We want to see more detail from the Government on the shape and size of Scotland's public sector workforce it envisages, so that it can both deliver effective public services that support the delivery of its intended outcomes and manage its financial position. A phrase that the Government has used a number of times is that its ambition is to "right-size" the workforce—that is the language that has been used in some of its correspondence with the committee. It is still unclear to me where the Government intends to get to with its workforce. Alongside that, it has been clear that, as you referred to, the policy of no compulsory redundancies will remain part of its policy intent through its pay policy.

There are many variables, but we want to see absolute clarity from the Government on its workforce intentions, on compulsory voluntary redundancy or redeployment, and on which tools it intends to use and when.

The Convener: Understandably, everyone wants security of employment, but if an organisation has to reduce its head count for whatever reason, it will end up having to ask for voluntary redundancies. Sometimes, in order to balance the books, people will leave who it does not want to leave and people whose jobs are perhaps no longer really required will stay. Those people might not have the skills or even the aptitude to move somewhere else. That causes difficulties, not least for the ability of an organisation to deliver services.

In terms of progress on public service reform, you say in paragraph 69:

"The Scottish Government required all portfolios to lay out their savings and reform plans by the end of the financial year. These plans contain different levels of detail and estimates of how reform will affect costs and budgets. Together they do not provide the information needed to estimate how much reform will save."

How much do you estimate needs to be saved by such reform, and what does the Government have to do to get on track in order to reach that objective?

Stephen Boyle: Fiona Diggle might want to give a bit of detail about some of the assessments that we have undertaken on the various submissions that public bodies have made that have allowed us to arrive—

The Convener: That is actually the next thing that I was going to ask you about—on paragraph 70.

Stephen Boyle: If you are happy for us to cover that—

09:45

The Convener: I will put that on the record. That paragraph says:

"The Scottish Government has contacted public bodies three times since January 2023 to assess their ability to carry out reform. These requests did not generate concrete information on the quantity, quality or anticipated impact of public bodies' collective work on reform ... There is no evidence that specific action has been taken to remove these barriers".

Stephen Boyle: That is pretty stark. As you alluded to in your opening question, we arrived at a judgment about the importance of leadership and clarity of intent from the Scottish Government, so that public bodies can be absolutely clear about what is expected of them in a public service reform programme and across Scotland as a whole. They need to know what contribution public service reform will make in the round towards delivering the Government's intended outcomes for the people of Scotland and need to know the fiscal position alongside that.

The examples vary in scale and size. We are at no point questioning the importance of the individual actions that some public bodies are taking. As I suspect you will hear in the evidence that you take later today, there are some excellent examples of public service reform across the country, but their scale is, as yet, unclear and it is not clear whether they will make an overall difference to Scotland's fiscal position or to the fiscal challenges that the country is facing.

That was our broad assessment and it is borne out by the Government's submission to the committee, which it made just before Christmas. There are many on-going examples, all of which are delivering change and reform, but it is so far

unclear whether those will make a difference across the piece or will support the Government's intention to balance its fiscal position.

Fiona Diggle might want to tell the committee about our assessment of some of the examples that were shared.

Fiona Diggle (Audit Scotland): To return to your comment about paragraph 69, we saw a range of examples of portfolio plans. Some portfolios included timelines for reform activity, but some did not, and some portfolios give more information than others.

Regarding the information collected from public bodies, the Scottish Government contacted public bodies in January and August 2023 to collect information and exhibit 9 of our report refers to some of the responses. Information about corporate costs was collected last year and published shortly before our report. Some useful information was published, but we still do not have a clear assessment of public bodies' ability to reform.

The Convener: Paragraph 78 of your paper says,

"so far there is no evidence of a clear shared approach across the public sector",

and paragraph 71 says that the Scottish Government appears to have only 5.8 full-time equivalent civil servants working directly on this.

Stephen Boyle: It is for the Government to assess the level of resource that is needed to deliver the reform programme. However, we make a judgment in our report about the adequacy of the overall governance arrangements within the Scottish Government to deliver the reform programme. Those arrangements have not been of the scale or rigour that we might have expected would support such a complex and important programme.

That may be borne out by the Government's change of direction. It has established a public sector reform board, which we refer to in paragraph 73. In the submission that the committee received from the minister just before Christmas, there was a recognition of the need to strengthen governance. To go back to your first question, we need to know what the intent is. There is reference to a public service reform strategy, which is to be created and published in the early part of this year. We think that those are important next steps, but the detail will be vital.

The Convener: You have said that there does not seem to be a baseline to show where we are now compared to where we want to get to. I asked about that earlier, but I do not think you specifically answered the question about what savings you envisage can be delivered by public sector reform,

and in what time period. That depends on the direction that the Government takes, but what realistic financial aim should the Government hope to achieve through the reform that you would like to see?

For example, in your report, you note that the Scottish leaders forum said that the

"current system of accountability does little to encourage cross-organisational working and holding individuals to account for their role in ensuring their organisation contributes to the performance of a collection of organisations".

If we assume that that is resolved—that the Government looks at your report, ticks every box, says, "We'll sort that," and then does sort it—where can we end up and over what kind of timescale, and what kind of savings can be made in order to reinvest?

Stephen Boyle: I am not going to put a number on that, convener. That is a decision for the Government—

The Convener: I did not think that you would do that, but I was hoping that you would—[*Laughter.*]

Stephen Boyle: The Government has been clear that it intends to reform public services to deliver better outcomes and to support financial balance, but I do not think that we have seen a clear connection between those two points. Therefore, the scale of what public service reform will deliver in fiscal savings and the connection between those savings and improving outcomes for the people of Scotland are not clear. I will resist the temptation to put a number on that, because that is a policy matter for the Government.

I will again echo an observation that the committee has made previously, which is that it is hard to scrutinise or audit a moving target. Therefore, it will be very helpful to have clarity through, we hope, the Government's public service reform strategy this year, which will set out what is planned to be achieved through the various planks of public service reform. A number around that will allow for tracking, monitoring and an evaluation framework, which we talk about in our report, and that will support scrutiny, audit and public understanding of what reform looks like and what it will save.

The Convener: When we ask for a timescale, the Government will say that reform is on-going. I am someone who likes to have deadlines and to be able to meet deadlines. Should the Government set a deadline and, if so, what should the deadline be for specific areas of reform? We are not saying that we should have a deadline for reform and that, after that, everything in the garden will be rosy. We could look at what we had achieved up until 2026, for example, and then at what we were going to achieve in the next three

years or whatever. Would that be helpful as opposed to this semi-permanent revolution?

Stephen Boyle: Yes, I agree, and that is broadly consistent with our recommendations in the report that, to support scrutiny and understanding by the Parliament and the public, deadlines, timescales and milestones are needed around the public service reform strategy or plan—or whichever delivery mechanism is chosen. That is not just to support scrutiny or audit interests but so that the Government itself and public bodies can be clear about whether they are on track. This is a complex programme and I accept that reform will not start or end in such a way as to mirror anniversaries or deadlines of particular strategies or reports. However, such measures are a necessary component of understanding whether the Government and public bodies are on track or otherwise. On the basis of the tone of your question and what we set out in our report, I think that we and the committee are consistent on that point.

The Convener: In its response to the committee's pre-budget scrutiny report, the Government said that it was taking preventative spend forward and that it would update the committee "in due course"—three words that I loathe. Is there any evidence that preventative spending is happening at scale at this point?

Stephen Boyle: There is no doubt that preventative spend is happening. I suspect that, in health and social care, for example, the investment that we make in primary care services is preventative spend. I am less clear about whether we are seeing that spending ring fenced in a public service reform programme.

The Convener: That is really what we mean by preventative spend, is it not? It is about disinvesting in one area to invest somewhere else in order to have better outcomes and to save resources further down the line.

Stephen Boyle: Yes. My recent report on the NHS in Scotland, which came out at the end of November or the beginning of December, talks about the sustainability of public services, the need for reform in where we are spending resource and the need for that to be supported in a way that will deliver better outcomes more affordably, and investment in preventative spend is absolutely part of that. However, I share your scepticism, convener. Use of the phrase "in due course" in the absence of the necessary deadlines and timescales makes it difficult for audit scrutiny and service users alike to track and monitor progress.

The Convener: One of the things that the committee has expressed concern about in relation to reform concerns the issue that we

started with, which is transparency. We have expressed concern about transparency in relation to capital budgets. We were hoping to see the capital pipeline about a year ago, but the Government has given various reasons why we have not been able to see it. They cover everything from the general election to budgets et cetera. One would have thought that, whether the capital budget is £5 billion, £6 billion or £7 billion, we would at least have a list of priority projects, whether they are new projects, maintenance projects or whatever else is included. Do you feel that the Government should do more to show the capital programme pipeline as part of the transparency that is required in any reform agenda?

Stephen Boyle: I am generally sympathetic with the tone of your question. There needs to be more transparency from the Government, not just on capital but on resource. Not having a medium-term financial strategy or the capital investment pipeline plan and, to analyse it further, the absence of an NHS capital plan are barriers to Parliament supporting effective choices and to the implementation of those choices by public bodies across the country.

On the capital point specifically, both the report that we are discussing today and the committee's own publications have stated that the single estate is a key part of public service reform. How we use our land and buildings across the country is going to change. The way in which they were used in the previous 20 or 30 years does not reflect the way in which we are going to consume public services in the years to come. We have seen some progress on that—recently, we have heard about colleges making decisions about their estate and how they will use it—but there is still a lack of clarity across the piece about how we are going to use land and buildings. We will inevitably spend capital to create treatment centres and other new buildings for public services across the country, but we are also going to change how we use our existing estate. Drawing those two things together more coherently than we have done so far will be an important part of both transparency and the delivery of public services.

The Convener: I am just getting warmed up but, given that time is against us—we will have another panel following this one—and all my colleagues are keen to come in, I will leave it there.

Michael Marra (North East Scotland) (Lab): It is good to see you in front of the committee, Mr Boyle. We have not seen you for a while. Today, we are looking at your report on fiscal sustainability, which was published in November, but a lot of the things that you say remind me of comments that you have made previously. In that

regard, I have picked out five Audit Scotland reports from the previous 15 months.

In your report “NHS in Scotland 2024: Finance and performance”, you said:

“fundamental change in how NHS services are provided is now urgently needed.”

In “The 2023/24 audit of the Scottish Government Consolidated Accounts”, which was published in October 2024, you said:

“The Scottish Government’s projections suggest that it cannot afford to pay for public services in their current form.”

Back in November 2023, in “The 2022/23 audit of the Scottish Government Consolidated Accounts”, you said:

“Fiscal sustainability is one of the highest-ranking risks in the corporate risk register.”

In October 2023, in “The Scottish Government’s workforce challenges”, you said:

“The Scottish Government’s projections suggest that it cannot afford to pay for public services in their current form.”

Having read those reports, and your most recent one, it feels to me as if you are banging your head against a brick wall. You started today by saying that the concerns that you have raised remain valid post-budget. Is there a sense of real frustration that you are not being heard?

10:00

Stephen Boyle: In the reporting that you referenced, Mr Marra, there is consistency about the need for progress in public service reform—having clarity on the Government’s intent for what public services reform will look like, its fiscal sustainability and the outcomes that it will achieve. We have not yet seen enough of that. I have referenced a couple of times already the minister’s intention to produce a public service reform strategy. That will be very important—if it is as rounded as I hope that it will be—in what it means for reform and the fiscal position.

We also need to make progress on the medium-term financial strategy and the capital plan, and to bring all those strands together so that how we can deliver sustainable, affordable public services for Scotland is clear.

As you referenced, we have been making those points for a number of years now.

Michael Marra: I wonder whether the warnings that you repeatedly give us—and that you give the Government directly—in terms of detailed analysis are not sufficient to animate the Government into recognising the medium-term financial position. I am trying to understand that. Collectively, we have echoed and highlighted some of your concerns

and, we hope, have put our own on to the Government’s radar. In your view, what would be sufficient to animate the Government to act?

Stephen Boyle: There are a couple of examples in the report—again, the committee will be very familiar with them. On the consolidated accounts, the Government has been successful in continuing to balance its budget. However, it is relying on significant interventions to deliver that balanced budget. Two significant emergency spending reviews have taken place in the past three years.

To tie that together with some assessment of the draft budget about the direction of spend, especially on health and social care and social security, and to bring in the convener’s earlier point about the workforce, the Government’s room for manoeuvre to make the kind of changes that can turn the tap off in one place to deliver a balanced budget is becoming more constrained. Thus far, thankfully, the Government has not been unable to balance its budget, but some of the demand pressures are increasing—especially on social security—which might mean that the Government’s ability to intervene successfully becomes more challenged.

Fiona Diggle might want to touch on this. As we have seen over the past couple of years, it is not always clear whether, with some of those interventions, the Government is making an assessment of outcomes or impact when turning the tap off on particular lines of spend.

Fiona Diggle: The Scottish Government committed to its fiscal sustainability plan in late October, and we expect that alongside the MTFs this year.

Michael Marra: If we can see delivery against a plan, that will be positive. Previous medium-term financial strategies have shown that there is a significant gap. The Scottish Fiscal Commission has highlighted the significant gap between revenue and projected expenditure in the near-term budgets over the next couple of years. The budget this year could be described as doing no harm but, on the current trajectory, does it store up problems for years to come?

Stephen Boyle: That remains to be seen but, at the risk of restating the point, the longer-term projections are not there to give the level of clarity and broader assessment that are needed. Although forward projections are set out in the budget, those are not accompanied by the scenarios that you would expect from a medium-term financial strategy. That will be an important next step during 2025, subject to the timing of the various fiscal publications. On when those will come through, the Cabinet Secretary for Finance

and Local Government referred in December to the timing of the UK Government spending review.

It feels as though there are a lot of variables at this point. I hope that we get to the point at which we do not have to continue to make judgments or recommendations about the need for and pace of reform but, instead, see a clear programme of reform, with numbers and timescales to support scrutiny and delivery.

Michael Marra: Given the various reports that you have written, when it comes to broader fiscal sustainability, which parts of the public realm in Scotland are most vulnerable at the moment?

Stephen Boyle: It would be hard to pinpoint any part of the Scottish public sector that is not experiencing challenges in service delivery. There is some irony in the fact that some of the public services that are being protected in terms of fiscal spending, especially health and social care, are the services that are perhaps experiencing the most challenges and the greatest need for reform at pace. We set out some of those judgments in the “NHS in Scotland 2024: Finance and performance” report that you mentioned.

Across the piece, we are seeing the scale of the challenge and pressure in service delivery. There is enough evidence to say that current models are not sustainable, that they are not delivering in the way that we would want and that they are storing up real fiscal pressures.

Michael Marra: In pulling my next question together, I will focus on colleges, on which you have done a significant amount of work. You said:

“The college sector is facing huge challenges. But to plan effectively for the future, colleges need a much stronger steer from the Scottish Government on what parts of their role to prioritise.”

That relates to a point that I would like to make about the long-term process of reform. Reform is a nebulous concept, but it is perhaps driven by a fiscal requirement due to the constrained fiscal situation, the ageing population and all the dynamics that come with that. However, there is a question whether the public realm understands the purpose of what it is meant to be doing. College principals and chairs of boards tell me that they do not know what they are meant to be doing because the Government will not tell them. How possible is it to reform if you do not know where you are going?

Stephen Boyle: That is a really important point. I agree with your assessment that too often the word “reform” is uttered without any underpinning of what it means in terms of detail, what is required of individual organisations and what mandate they have or do not have to deliver change and move towards different models.

Going back to your earlier question, it is absolutely the case—we set this out in our reports—that some of Scotland’s colleges are facing severe pressure. We also know that colleges play a vital role both within their local communities and more widely in terms of Scotland’s skills and skills planning arrangements for the future. Bringing together all those objectives coherently to support colleges in making choices for the future will be key. At the moment, we are seeing colleges manage their financial position from one year to the next—as we have mentioned already, making redundancies where they need to in order to support financial balance. However, they are not doing that with the clarity of intent to support employers and learners in their areas in relation to their future direction.

Michael Marra: You have been clear that that is partly due to the Government not having clarity of its own intent around post-school skills reform. Until the Government does that, how on earth are colleges meant to know? The idea is that we will have a public sector reform board and a change fund of £30 million, which accounts for 0.05 per cent of the overall budget. Will those things not simply be paying lip service unless work is actually done to say “This is where we want to go”?

Stephen Boyle: It is not yet clear to us, just as it is not clear to the committee, how the £30 million will be deployed or what the intent behind the change fund is. Relative to the overall scale of challenge, it may be an early contribution to changing delivery of service. Clarity of intent will be much more important, so that the Government’s public service vision is clear—not just to colleges but to the NHS and other public services—in order to support the delivery of the very impressive and important case studies that the committee has seen. The Government needs to set out how those will all be brought together and say what public service reform will deliver across the piece to support fiscal sustainability and improved outcomes.

Michael Marra: It would be good to have that new direction.

The Convener: I call Liz Smith to be followed by John Mason.

Liz Smith: Mr Boyle, I refer back to Mr Marra’s earlier questions, when he—quite rightly—focused on some of the concerns that we have as a committee about how we seem to be standing still. Your report “Fiscal sustainability and reform in Scotland”—particularly in paragraph 6, in which you say that you have difficulty in being able to scrutinise some aspects of the fiscal situation because you are missing documents and there is not enough transparency—encapsulates our frustrations. We have heard similar concerns from the Scottish Fiscal Commission. This committee

has issued several reports over recent years setting out our real, serious difficulty in relation to the lack of transparency and accountability. Do you think that Parliament having a finance bill, which obviously we do not have right now, might help with transparency and accountability?

Stephen Boyle: Good morning, Ms Smith. I think that you have asked me that question before.

Liz Smith: I have, but because we are not making any progress, I want to ask it again.

Stephen Boyle: As we said last time, if I recall correctly, that is ultimately a matter that the Parliament and the committee can best decide on.

Liz Smith: Can I push you a little bit more? I know that you cannot make policy. However, do you think that there is evidence, perhaps from other jurisdictions, that a finance bill helps to improve the amount of time that is given to the scrutiny of the public finances?

I have heard complaints from across the political spectrum in Parliament that we are not doing enough to fully scrutinise budgets. Our committee does a huge amount of the heavy lifting on that work, for obvious reasons, and some other committees do a bit, but we are not getting the depth of scrutiny that perhaps we need. I am interested in whether you think that a finance bill might help that situation, because—let us be honest—we are standing still when it comes to the problem of transparency and we have not been able to move on.

Stephen Boyle: If you will permit me, I can say a couple of things. One is that we recognise the description of a lack of transparency and the need for more clarity around data and documents to support better scrutiny. I absolutely support that description; it is consistent with our own reporting, and goes back to the work of your predecessor committee and the budget process review group, which explored many of these themes. There is a clarity of intent to have a better understanding of Scotland's public finances, given the changes that came through, especially in the Scotland Act 2016, and to have much better information. Given the increasing complexity of Scotland's public finances, we are not there yet.

However, I would avoid falling in behind support for a finance bill, primarily because I would not want to pin my colours to the mast and say that that would be the only, or the next, mechanism for achieving that. I am sure that an alternative case could be made that we can achieve better scrutiny without legislation. Indeed, I think that we should be achieving better scrutiny through better provision of information and data to both the Fiscal Commission and the committee, as well as to us for audit purposes, to support that scrutiny.

Liz Smith: That is an interesting point, because there is a difference between having the right data available and scrutinising that data. Do you think that there are problems in both departments? Namely, is there some data lacking that we really must have to hand to enable us to be more effective in our budget scrutiny, or is there something lacking in the scrutiny process, or is it perhaps both?

Stephen Boyle: It is probably both. Fiona Diggle might want to come in on assessment of the detail, but I can say that we are lacking data specifically on workforce. In our reporting on the Scottish Government's workforce, we have pointed that out as a key theme. The information that the Fiscal Commission received from the Government on workforce, which would have allowed it to make an informed assessment, was also incomplete. There was a follow-through from my assessment of that.

My sense is that that could be overcome without legislation being necessary. However, I understand if the committee's position is that your patience is wearing thin because you are in the repetitive position of not getting the information that you need.

Liz Smith: There is a frustration, Mr Boyle. As the convener said, we have highlighted the issue several times in our reports. Mr Marra commented that Audit Scotland reports have come out recently in which it is a constant theme. We have also heard it from the Scottish Fiscal Commission. A frustration is building because if we are to have better government—I do not mean that in a party-political sense—we need to be able to have better scrutiny.

I am conscious of time, convener, so I will leave it there.

The Convener: Thanks, Liz. I should just say that better scrutiny does not necessarily preclude legislation.

10:15

John Mason: One of the themes of your report, which comes up quite a lot, is that the Government is reacting to events and does not have a longer-term plan. However, is there not a certain inevitability of that happening in Scotland? For example, the UK Government came in and suddenly introduced a pay increase that was higher than we had previously expected as well as a national insurance increase. Those are events that most of us had not anticipated. What is the Government to do? Surely it simply has to react in the short term.

Stephen Boyle: John Mason is right. We set out in the report—specifically in exhibit 2—some of

the drivers for the Scottish budget. We particularly note the UK fiscal environment and decisions, especially following the change of Government in the UK and the resultant UK Government budget. The Scottish Government absolutely had to respond to those events. We see that some of that, especially around national insurance, is, to a degree, unresolved in the Scottish budget.

However, from our perspective, that is not the whole picture. More regular updates of fiscal documentation in Scotland might allow for the consideration of such scenarios. No scenario is going to get it entirely right, that is for sure; however, the fact is that we do not have a medium-term fiscal strategy that is updated and that might have allowed for some of those changes to be considered, which might have helped the Government to make decisions as it went through its own budget process.

That said, I agree with the premise of Mr Mason's question. Given the dynamic of the fiscal framework between the Scottish and UK Governments, it is clear that UK Government decisions will have a direct bearing on the Scottish budget.

John Mason: Even if we had a medium-term or a long-term or a whatever-number-of-years strategy or plan, it would simply all get thrown by some kind of Westminster decision, such as that on national insurance. I begin to wonder what the point of saying, "This is what we are going to do in 2030," is, when so many things could happen between now and then. Are we being unrealistic in expecting medium and longer-term planning?

Stephen Boyle: No. I would argue that it is all the more important to have effective medium and longer-term planning.

It is unlikely that any scenario that is set out will come to pass directly—even the forward projections that are included in the draft budget that the committee is considering will probably not come to pass directly. However, without a scenario that you can at least draw upon, and that provides a starting point from which to respond to fiscal events in the UK or wider economic shocks, you will be playing catch-up.

We see in relation to some of the interventions that the Scottish Government has had to make over the past couple of years that medium-term financial strategies are vitally important and can give the Government an understanding of where it can make decisions.

One of the related points that we set out in today's report is that the Scottish Government will probably be able to make those decisions more successfully if it has a better understanding of its cost base. We have set out in the report that workforce spending, health and social care, and

social security are all consuming more of the budget, which raises the question of what levers the Government has. Medium-term and longer-term planning are absolutely complementary to its making those decisions when it needs to.

John Mason: Yet, almost counter to that, if the Government does not make longer-term commitments, in a sense, it would have more flexibility. The two kind of go together. If it gave just one-year grants to the third sector, it would have total flexibility to stop those grants the next year, and yet the third sector is always demanding, or asking for, a longer-term plan. If we get a longer-term plan from Westminster, that would obviously help, and then we could have a longer-term plan that would help local government and the third sector following on from that.

Whenever we make longer-term commitments, such as on social security, that reduces our ability to be flexible, does it not?

Stephen Boyle: I am not sure that I understand your question.

John Mason: Maybe I am not putting it very clearly. It seems to me that there is a tension between longer-term planning and commitments on the one hand, which, in a sense, tie the Government's hands, and on the other, doing short-term things that do not tie our hands, which is a more flexible approach, but is less helpful to the third sector and local government.

Stephen Boyle: Absolutely and, indeed, that is true across the piece. I go back to the convener's earlier point about how we employ people in the Scottish public sector on permanent contracts, which is a commitment in and of itself.

We are making long-term commitments as a country. Social security is a growing commitment and it is consuming a larger proportion of the Scottish budget year upon year. Long-term commitments are here, and they ought to be accompanied by associated clearer, medium and longer-term financial planning.

Your point is correct, Mr Mason. The Government could intervene and say that the funding arrangements, whether they be for the third sector or local government, are up for grabs every year, and there should be a zero-based budgeting approach. However, the extent to which we can move from where we are now to there, and whether it is even desirable, is questionable.

I have mentioned social security a couple of times this morning, so perhaps for the committee's interest, I should say that we are conducting an audit of adult disability payments that will report towards the end of this year. Because of the growth in adult disability spend, and especially because we are seeing a growing divergence from

spending that would have been made under the personal independence payments compared with adult disability payments, we are looking to make an assessment of those arrangements and report later this year.

John Mason: Paragraph 14 of your report says that

“the Scottish Government risks overspending against its budget”

but, legally, the Scottish Government cannot overspend against its budget or, at least, against its income. What do you mean by that? The reality is that, by hook or by crook, the Government has to balance its budget.

Stephen Boyle: Indeed. In the past two or three years, the Government has had to deploy emergency spending controls to meet its obligations to balance its budget. I do not think that anyone would argue that that is a desirable position for the Government to be in. It is having to react to balance its budget, and it has done so successfully, but it will become harder and harder to anticipate. If it still has to deploy emergency spending controls, where it turns the tap off will be harder to secure, for the reasons that we set out in the report.

Fiona Diggle might want to say a bit about the assessment of the Government’s cost base and not seeing clarity. For example, if you have a medium-term financial strategy with a scenario that anticipates a £300 million or £500 million shortfall, it should clarify where you will go to deliver that level of change.

Fiona Diggle: To link between your two questions, the report sets out that the Scottish Government does not have a clear understanding of where it can flex its budget easily for short-term fluctuations or long-term commitments, given that so much of the budget is fixed. There are limits to be changed and that creates some of the pressure that we see in the budget.

John Mason: What would that mean? What is it that the Government does not understand? It has flexed the budget successfully during the year in the past two years. One scenario would be that, if it was you and me personally, we would try to save money so that, if we have a bad year, we would have some savings. However, the Government effectively cannot do that, because we have a limit on how much we can save, and because there is huge political pressure against saving money, when all the parties want us to spend every single penny. I am struggling to understand what the Government is missing, what it is not doing that it should be doing.

Fiona Diggle: It should have an understanding of its cost base in-year, which relates to the

Auditor General’s point about our understanding of workforce costs and capital spend.

Stephen Boyle: A couple of examples of where spending has been reduced in the past two or three years are mental health spend, employability and so forth, and I am sure that the committee is familiar with the fact that they were reduced because there were underspends in some of those budget lines, where they were projected not to be required. At the same time, we were not clear that there was evidence of assessment of the outcomes that would be interrupted by the changes to those lines. It is perhaps about moving away from what might be an opportunistic approach to reducing spending to one that is planned in advance and saying that, if there is going to be a shock, here is where we will go, rather than making a call on the progress of budget lines mid-year.

John Mason: I do not want to keep pursuing this for ever. When the Government sets out the budget, should it also say how, if we were to get an extra billion pounds during the year from Westminster or for some other reason, we would spend that extra billion pounds or, if funds from Westminster or our tax revenues were to fall by a billion pounds, how we would save a billion pounds? Do you want it to be so specific that, at the beginning of the year, we say, “This is the budget that we’re hoping for, but this is what we would do if we didn’t manage it”?

Stephen Boyle: I will perhaps not get drawn into the absolute specifics of what scenarios would look like. We support the premise that more detailed and transparent scenario planning will be helpful in supporting effective budget management, as will parliamentary and public scrutiny of the budget in the event that there are either benefits or shocks to the fiscal position during the year.

John Mason: Do you accept that that is quite difficult for the Government? Even if it does emergency planning a year ahead, there is still a limited number of spaces where it can save money.

Stephen Boyle: Indeed, and again, that supports the point that we make in the report about the fact that the number of levers that the Government has at its disposal is reducing, especially with the growth in workforce and commitments in terms of health and social care and social security. It needs clarity about where it will go in the event of facing a downside shock, in particular.

John Mason: I turn to public sector reform. In paragraph 105 you say that public sector reform requires “significant investment”. There is the example of Registers of Scotland, which will be

coming up, among others, in the next evidence session. Registers of Scotland seems to have managed to reform, digitise, do a lot of that kind of stuff and save on 10 per cent of its jobs—all without extra investment. It has just done that as part of its routine working. Is that possible on a bigger scale?

Stephen Boyle: Both those things can be true. Public service reform can be delivered really successfully—I suspect that you will hear more about that this morning—through digitalisation to deliver improved outcomes and reduced costs. Whether it can be delivered at scale across the country is less certain. We are looking for the Government—not Audit Scotland—to put numbers on what public service reform can achieve and what investment is required to deliver it. My suspicion and expectation is that, to deliver public service reform, investment will be required, whether in digital services or artificial intelligence or through how we use our estate; it will require spend to get from where we are today to the vision of public service delivery for the years to come.

I think that both things are true. We can achieve some successful projects, but, if we are talking about moving to different models of service delivery and structural change, which is also included in the public service reform material, history has shown us that enabling funding to deliver that kind of change will require a growth in costs in the short term.

John Mason: Although we might improve outcomes a bit, does public service reform basically mean cutting jobs?

Stephen Boyle: I do not think that that is necessarily a given. To return to questions from earlier this morning, I note that the Scottish Government has been clear that, although the Scottish public sector workforce numbers have grown, it intends to right-size the workforce. It is about clarity and clearly setting out in the workforce numbers how it intends to deliver a sustainable model of public services in the years to come. The next step is to bring together all these themes in terms of documentation, expenditure and outcomes.

Ross Greer: Thanks, convener. I am conscious of time, so I have just one question.

Auditor General, you mentioned in opening that there are lots of examples of public sector reform—we will hear some in a moment. However, ultimately, the issue is the lack of coherence and direction from the Government. Are you aware of any examples of effective reform in the Scottish public sector that either have happened or are ongoing as a result of ministerial direction? I do not mean those that are off the back of an initiative by an individual organisation or public body; I mean

those that are a direct result of Scottish ministers' involvement in direction setting.

Stephen Boyle: I might need to think about that a bit more carefully to track the specific actions of ministers. Fiona Diggle might offer one or two examples in a moment. We would need to dig into examples in a bit more detail to understand the precise role that ministers played at a particular point that then led to public service reform.

The example that I would offer—again, I might need to check some of the detail behind this—is the increase in the use of NHS Near Me during the response to Covid. That is an example of acceleration of digitisation to deliver services, and that approach has been sustained.

I will check with Fiona Diggle whether she has anything to add.

10:30

Fiona Diggle: As part of the report, we did not look in detail at any particular workstreams of reform, so we cannot provide that sort of information. The report looked more at the overall level of the public service reform programme.

Ross Greer: Thanks very much—I appreciate that.

Craig Hoy: Good morning, Mr Boyle—it is nice to see you again. You have covered quite a lot of the things that I was going to ask about, but I want to briefly ask about exhibit 4 in your report. You have talked about the importance of preventative spend and curing social ills rather than simply treating them. The left-hand column in exhibit 4 sets out areas of Scottish public spending that have been decreased, and those seem to be in what could be perceived to be preventative or curing areas.

You just talked about mental health and employability, the budgets for both of which have suffered significant decreases in recent years. There has been an increase in the number of people on adult disability benefit in Scotland. Between 2022 and 2024, there was, I think, an increase of 80,000 in the number of people whose principal reason for claiming related to mental health issues. If I were to look at a similar table for another country, would I find that Scotland is now out of step in the way in which we are dealing with those upstream problems? For example, we have had cuts in the enterprise, trade and investment budget, the learning budget, the Scottish Funding Council budget, the active travel budget and, as you said, the mental health budget, yet we are seeing a significant increase in social security benefits. Is that typical for equivalent countries?

Stephen Boyle: Again, Fiona Diggle can perhaps share any information on international

comparisons and read-across that we sought to undertake. However, generally with our reports, we do not seek to draw a comparison with policy choices that other jurisdictions make. Having said that, there is a point that we are keen to explore in the audit that we are undertaking on the adult disability payment. Through that programme of expenditure, which has been in place for a number of years, and more generally through its work, Social Security Scotland has set out quite clearly that it wants to achieve a different approach and ethos compared to its assessment of the approach of the Department for Work and Pensions. We also want to make that a bit broader and consider whether that different approach is connected to the employability arrangements and so on.

I will also refer to the funding decreases for the Scottish Funding Council, which are noted in the report, and compare that to the position in which Scotland's colleges currently find themselves. Ultimately, those will be policy choices, but what we draw attention to in the report is the consistency and coherence of the policy choices between one budget and the next.

I invite Fiona Diggle to come in if she wants to add anything.

Fiona Diggle: We did not specifically compare the types of changes to an international context but, as we reference in the report, we reviewed the impact assessments. I highlight the example from Wales, where it was clear that, when changes were made to the budget, the implications that those would have for outcomes and for people were set out clearly, which was really helpful. For the emergency budget review in 2022, there were good examples of the implications of the changes being set out.

Craig Hoy: Could you work with the Scottish Government to better define what preventative expenditure actually is? When we put it to the Government that social security expenditure is not necessarily an investment or preventative, it said that that expenditure prevents people from living in poverty and therefore is preventative. To try to crack that issue, is there more work that you can do to help to create definitions so that we do not end up unintentionally or intentionally defining expenditure that is not preventative as being preventative?

Stephen Boyle: That is a helpful prompt, which we can take away and consider in relation to our own language. Ultimately, it is about outcomes and fiscal balance at the same time. It is perhaps unhelpful to have broad and sweeping definitions if those are a barrier to audit or scrutiny arrangements. We can take that point away for our engagement with Government.

Craig Hoy: On public sector reform, it strikes me that, given the number of Government agencies and bodies, shared services would be one of the ways to go. Is the Government sufficiently committed to providing leadership in relation to making bodies consider how they can remould the way in which they operate services, and particularly back office and corporate functions?

Stephen Boyle: The committee might be familiar with the fact that, over the past few months, the Scottish Government has undertaken a considerable amount of work with public bodies to assess what they are spending on what might be called back-office functions—although that is perhaps a bit of a sweeping generalisation. There is correspondence from the minister setting out the current scale of spending in Scotland on back-office functions.

That is a positive development. Beginning to understand its cost base allows the Government to make informed choices about how it plans to deliver corporate support activities across the piece. I do not think that it is unreasonable for me to say that there has been relatively limited progress over the past 10 to 15 years on sharing services and back-office functions and, if there are opportunities to do that successfully, that is a positive development on the part of the Government.

Michelle Thomson: Good morning, Auditor General, and thank you for joining us. I just have a couple of questions, as I am mindful of the time. The first is a slightly technical question that follows on from Mr Hoy's questions. In the update that it gave in December 2024, the Government stated that it was taking

"a cascade approach to savings".

What is your understanding of the implications of that, in the light of the fact that all change programmes that are under way anywhere in Government are arguably now part of public service reform?

Stephen Boyle: I think that that is right. Fiona Diggle might want to comment on the detail of the definitions, but it goes back to some of the discussion that we have had already this morning, especially referencing the stated intention to revise governance arrangements so that there is clarity around leadership and intent from the public service reform programme, especially on what the Government expects to set out in its strategy. For me, that is the key next step, and I welcome the minister's acknowledgement of that. There is a consistency in the recommendations that we make in the report on the need for clarity of intent, which can be tracked and monitored in relation to

cascade savings and what will be achieved by them.

Do you have anything to add, Fiona?

Fiona Diggle: No.

Michelle Thomson: I will move on to my next question. I have not seen culture mentioned specifically in your report. It is a very good report, but the reference to culture is implicit, rather than explicit, in some of the commentary, such as that on transparency and leadership, for example.

Considering your understanding of the culture that prevails and that you have seen, how confident are you that changes can be made, given that the best predictor of future behaviour is past behaviour?

Stephen Boyle: I recognise the points that you make about the inherent challenges in a programme of public service reform. Regarding the risk around protectionist behaviours, people will be thinking about their own roles and jobs. In some cases, a fear of change will give rise to barriers that will need to be overcome to deliver a successful programme of change. Persuading people that the programme is necessary will be a fundamental next step.

There are one or two warning signs in our report. As has already been mentioned this morning, the Government had to go out to public bodies two or three times to get examples of public service reform that could be tracked and to be satisfied that there is buy-in. It is a matter of striking the right balance, adopting what is both a bottom-up and top-down approach to public service reform.

For me, there is enough evidence that public service reform and change is necessary—given the fiscal position that Scotland is in—in order to deliver better outcomes and fiscal balance. I agree with you, however, that it will be vitally important to have arrangements that give people confidence that change can be delivered.

We are conscious of that, too. It might be assumed that we, as auditors, will pounce on the first example of ambition or public service reform that does not go to plan and will produce a statutory report on that, but we will be careful about that. If public service reform and change has to happen in Scotland, the conditions across the piece have to be right to strike the right balance culturally, and in the resultant scrutiny and audit.

Michelle Thomson: I accept what you are saying. In future reports, would you be prepared to actively consider culture as specific and measurable, for the reasons that we have outlined?

Stephen Boyle: We will do that, and we are factoring that in across our work. I make reference to culture in some of my reports. Realistically, that has probably been more where culture has not been a successful contributor to change or organisational behaviour. For the Government, setting the tone about the right conditions for supporting change will be vital, and culture is fundamental to that.

The Convener: That concludes questions from the committee. Are there any further points that you wish to make before we conclude this evidence session?

Stephen Boyle: I have nothing specific to add. I am very grateful for the committee's interest in our report and for your invitation this morning.

The Convener: Thank you very much for responding to our questions.

10:40

Meeting suspended.

10:45

On resuming—

The Convener: For the second part of our evidence session on the Scottish budget 2025-26, I welcome to the meeting Garry McEwan, director of corporate services at Food Standards Scotland; Mary Morgan, chief executive, NHS National Services Scotland; Chris Kerr, corporate and policy director, Registers of Scotland; Lynne Raeside, deputy director of policy and external affairs, Scottish Funding Council; Jane Morrison-Ross, chief executive, South of Scotland Enterprise; and Alison Irvine, chief executive, Transport Scotland.

I intend to allow around 90 minutes for the evidence session, and I would like it to be a discussion between us all. If witnesses or members would like to be brought into the discussion, they should please indicate that to the clerks and I can call them. Someone has to be the first victim, so I will ask Jane Morrison-Ross to get the ball rolling. The Scottish Government will drive forward a renewed focus on expanding the tax base and tax revenues by progressing specific economic activities with the potential to grow the economy and get more people into work. What is your view on that?

Jane Morrison-Ross (South of Scotland Enterprise): In the south of Scotland, we have been putting a lot of effort into getting more people engaged in economic activity. We were successful in securing the pathfinders pilot project, so an entire piece of work has been dedicated to getting people into entrepreneurial activity who would not

normally consider that to be an option for them. Therefore, we have been trying to reach people who are not typically reached through more traditional methods. Coupled with that, we have an entire workstream that is focused on innovation and entrepreneurship. We have specialist coaches who have been working with young people, underrepresented founders and women to encourage them into enterprise activities.

We also work with the developing the young workforce network and other partners such as the chambers of commerce to ensure that we engage with business at an early stage. We are looking at how we can support not just new entrepreneurs and new business start-ups but opportunities to scale and grow businesses across the south of Scotland. Coupled with a deep understanding of the rural economies and the key sectors in the south, that has helped us to identify new and emerging opportunities.

We are trying very much to be a data-driven organisation and to ensure that we are aware of where the opportunities are. A good example of that is the work that we did last year with Scottish Development International. We launched the Invest in South of Scotland website, and we have seen a 400 per cent increase in inward investment opportunities as well as a growing awareness of the potential for businesses to come to the south of Scotland to relocate or to grow, or in relation to the opportunities around natural capital, energy transition, regenerative agriculture and so on.

Therefore, there has been a focus on growing the tax base but in an aligned way, because it is really important to look at where the opportunities and intersections are across all those things. One thing that Stuart Black and I very much agree on is that the rural economies have incredible unharnessed potential that can be engaged and focused on in the north and the south of Scotland.

Ross Greer: One of the most interesting recent examples of work on public sector reform has been the Scottish Government's pilot of the reduced working week, which is sometimes called the four-day working week. South of Scotland Enterprise is one of the bodies that have been involved in that, so I will come to Jane Morrison-Ross first. However, I might be unaware that others around the room have been involved, so anyone can come in on this.

What have your experiences of the pilot been so far? Part of the objective is to support the workforce to have a better work-life balance, but with the aim of increasing the organisation's productivity. What impact has the pilot had in that regard?

Jane Morrison-Ross: We developed new performance measures to capture that as we

undertook the pilot. The Accountant in Bankruptcy is one of the other organisations, and my most recent conversation with its chief executive showed that our findings very much align.

We have seen an incredible decrease in the rates of absence for both sickness and stress-related or mental health-related reasons. We have had a 92 per cent increase in staff morale, which may not be unexpected. Critically, we have seen no decrease at all in productivity. One success marker for our organisation is that, although we have had two or three really significant internal organisational situations in the past year, following the unexpected loss of colleagues, we have, even allowing for those unprecedented circumstances, seen no decrease at all in productivity.

We have just undertaken another piece of external research to ensure that we really understand what our clients, stakeholders and customers feel. Some did not realise that we were doing the pilot, because they had seen absolutely no change: the majority—around 88 per cent—had seen no impact on or decrease in productivity. Some of the feedback that we have had shows that any difficulty that organisations found in arranging meetings with us was actually caused by normal staff working patterns and not by the pilot. We already had around 38 per cent of the workforce on flexible working patterns, and the pilot has allowed us to offer an alternative without having to offer 140 different working patterns. Overall, the pilot has been exceptionally positive both internally and externally.

The biggest challenge came from branding. There is no pushback if we talk about flexible working or shift patterns, but some of the tabloid coverage of the four-day working week was not helpful. That branding could be realigned in the future.

Craig Hoy: My question is also about workforce issues. I note that you currently have a freeze on essential recruitment and a head count of 145. We have just been discussing public sector reform with the Auditor General, including reforms to structures and to the workforce. The private sector organisations that you work with will be seeing a dramatic shift in the needs and skills of their own workforces. One current issue right across the public sector in Scotland is the assumption against compulsory redundancies. As you reform and look at your own structure and workforce, would lifting that restriction on compulsory redundancies be helpful in ensuring that your organisation is truly match fit for the challenge of delivering for enterprise in the south of Scotland?

Jane Morrison-Ross: That came up at a previous meeting that we attended along with Scottish Enterprise and Highlands and Islands Enterprise. Although we currently have no plans to

cut our head count, all the organisations agreed that that would be an alternative tool and might provide more flexibility as we move forward.

We kicked off a transformation project at the end of last year. It does not focus specifically on head count; it focuses on how we can become more fleet of foot and accessible and how we can perform more effectively and efficiently. We were launched as a new organisation before Covid, and the demands on us now are very different. As I said, we have seen a 400 per cent increase in inward investment opportunities. We are dealing with far larger-scale opportunities in addition to our core business of helping small and medium-sized enterprises, entrepreneurs and communities to become more enterprising.

We have identified an opportunity to focus on a discover, deliver and enable model and to make more effective use of our people and their skills. We already use them quite differently. Around 90 per cent of our team are actively engaged in delivery with stakeholders such as the Scottish Government and local authority partners or directly with communities and customers.

Having said that, any mechanism that allows us the flexibility to restructure appropriately to deliver in a different economic landscape should be on the table.

Craig Hoy: That is an important issue, and I would welcome the views of other representatives if they wanted to come in on that.

The Convener: Indeed. If people want to come in on that issue, I would be more than happy for them to do so.

John Mason: Regarding the point about head count, when I read the reports I was struck by the fact that Registers of Scotland has cut its workforce by 10 per cent. Chris Kerr can maybe comment on that.

The Convener: I was going to go to Chris Kerr, but someone else has indicated that they want to come in first.

John Mason: I realise that every organisation is different, and maybe Chris Kerr can explain how Registers of Scotland can manage that cut without needing any extra input. By contrast, Food Standards Scotland says in its submission that it just wants more money and more people. Could we just cut funding by 10 per cent for everybody? Would that work, Chris?

The Convener: Hold on a second. First, I should say that Registers of Scotland has said:

“Our investment in digital automation will help to contribute to our target of a 10 per cent reduction in the number of people who are required to run our current services.”

Garry McEwan will, no doubt, comment on the fact that Food Standards Scotland has had a real-terms budget reduction of 25.5 per cent since 2015.

Garry McEwan (Food Standards Scotland): Yes, that is exactly my point. Over the past couple of years, we have undertaken a reprioritisation exercise to get ahead of the budget challenges that we face as a country.

Two years ago, we had a target operating model of 360 members of staff; we now have a resource of 280 members of staff. Over the past two years, we have reduced the number of staff members in the organisation by nearly 80 in trying to address our budget pressures. We are not looking for more staff—we have significantly reduced our staff.

On the compulsory redundancy point, I agree with Jane Morrison-Ross that flexibility is key. We have seen valued members of staff leave the organisation, whether through promotion, retirement or development. Some of those posts are critical and need to be filled, so, naturally, we need to put someone in place. If we had the ability to transform the service in certain areas where those skill sets are not required, it would build in flexibility and allow those members of staff to move on to other roles while ensuring that FSS retains the key critical skill sets that are required. I support the flexibility of that approach.

The Convener: Thank you.

Chris Kerr, over what time period is the target of a 10 per cent staff reduction going to be delivered?

Chris Kerr (Registers of Scotland): Good morning, convener. We are on track to deliver a 10 per cent reduction in head count over our current corporate plan period, which takes us up to 2027. There are probably three key elements that underpin that, two of which are by design and one of which, I have to confess, is not.

The first element is that organisations like Registers of Scotland, with the history that they have, can face difficulties as legislation moves away from paper-based systems and towards digital systems. The Land Registration (Scotland) Act 2012 removed that difficulty for us. It was a far-sighted piece of legislation that came through the Parliament and allowed us the opportunity to move towards offering digital services. Clearing that legislative hurdle made a big difference.

The second element, which was not by design, is that uptake of digital services was greatly accelerated as a consequence of the lockdown. As solicitors moved into their houses and away from their offices—our colleagues did the same in that period—moving on to those digital services became essential. That helped us to drive uptake

much more quickly than we would otherwise have been able to, although the organisation deserves some credit for grasping the opportunity that presented itself.

The third element is our funding model, which we mentioned in our submission to the committee. By and large, Registers of Scotland does not take funding from central Government. We are funded by fees that we charge, which largely depend on the housing market. There are exceptions but, in general, the predictability of housing market income allows us to invest over several years. I know that that can be more difficult for colleagues around the table, as they are dependent on the budget settlement that they get every year, whereas we do not have that challenge. We have to make careful and considered investments, but the opportunity to do so over many years makes a big difference.

Technology is an important aspect, but it is not the only aspect. The people, the process and the cultural aspects of such digital change are also incredibly important.

11:00

Finally, on the point about restrictions on compulsory redundancies, I agree with colleagues around the room about the need for flexibility. However, Registers of Scotland expects that we will deliver the 10 per cent reduction that we have mentioned through natural attrition. Due to the demographics of our organisation, we have a lot of people who are approaching retirement and we expect that to give us the 10 per cent reduction. We do not need redundancies in order to deliver that reduction, but I agree with colleagues on the need for flexibility.

The Convener: By when do you intend to deliver that reduction?

Chris Kerr: By 2027.

The Convener: Thank you. Your comment that the housing market appears to be more predictable than annual budget allocations is of concern.

Chris Kerr: With some exceptions, yes.

The Convener: Lynne Raeside, your submission says:

“In line with our strategic and workforce plans, our staff base has seen modest increases”

Lynne Raeside (Scottish Funding Council): Yes, that is right. In recent years, following an audit by Audit Scotland in 2019, which noted that we needed to increase our capacity if we were to deliver our mission effectively, we have seen a modest increase in our staffing levels. That

increase has been targeted primarily at our digital and data areas and at our financial analysis.

As members will be aware, we deliver almost £2 billion of public money to colleges and universities. We hold those institutions to account and we hold a vast amount of data. To enable us to use that data more effectively, we have invested in our data and digital capabilities, as well as in our financial analysis capabilities.

Michael Marra: Thank you for the Scottish Funding Council’s submission, which is very useful.

In common with much of the information that we have received, there is a lot to say about the internal operations of your organisations. We explored some of those issues with the Auditor General in the previous evidence session—you might have caught some of it. There is your internal operation as public bodies, but there is also the broader programme of reform and what the Government intends to do about the sectors for which you have some responsibility.

With regard to the SFC in particular, it is interesting to understand your internal processes, but the broader reform of the post-school system must surely be the meat of reform in your area. Do you feel that there has been sufficient guidance or direction from the Government regarding where you are headed and what you should be helping to govern?

Lynne Raeside: You are absolutely right. We look at reform from two perspectives. We have our internal reform programme, in which we look at our staffing levels and the capabilities of our staff, but we are also looking at the wider reform taking place within the sectors.

You will be aware that we are awaiting the outcome of a consultation on the post-16 funding body landscape. There has been direction from Scottish Ministers about plans for a potential bringing together of funding provision into one body and potentially bringing student support funding and funding for provision into one body.

That direction is quite clear and it is part of a programme of post-16 reform that has five projects in total. Those are the funding body landscape, skills planning, apprenticeship reform, the careers service and the post-16 qualification landscape. Through that programme of reform, the “Purpose and Principles for Post-School Education, Research and Skills” statement that was published in 2023, which the post-16 reform is helping to deliver, and our letter of guidance from Scottish Ministers, we feel that we have direction on the way forward for the sectors.

Michael Marra: College principals and board chairs would disagree with you. They tell me and

others that, essentially, they do not know what they are meant to be doing as organisations, what areas they are meant to be focusing on and what their priorities are. The statement of purpose and principles was derided pretty universally as a watered-down version of what had been a broader reform programme.

Essentially, there is another consultation about the previous piece of work, and the Withers review. Are we not limited by the absence of a real direction in the agenda? How can we expect the principals of colleges, who are the people delivering the qualifications and skills for our businesses, to be able to do that and to make strategic decisions?

Lynne Raeside: We expect to hear from ministers imminently on the outcome of the consultation. That will give us a clear direction for where we are going, as well as whether we will be bringing funding for provision into one body, whether funding for student support will go into another body, or whether all of those things will go into a single funding body. Once we have that decision, we will be able to work more closely with colleges, universities and the Scottish Government. We expect to have more involvement in the governance structures when that decision has been made.

The Convener: If people do not indicate that they want to speak, I will pick on folk.

Alison Irvine, you have not spoken yet, so I think that this is a good time to ask you a question. You said in your written submission that

"The priority for reform is therefore to build a financially sustainable and accessible transport system that the people of Scotland can rely on by improving its resilience and effectiveness."

You went on to say that you are keen

"to develop a fiscally sustainable path which improves value for money for the tax payer."

Alison Irvine (Transport Scotland): Yes. Where would you like me to go with that?

The Convener: Is that actually what Transport Scotland is doing? How are you developing a fiscally sustainable path?

Alison Irvine: Let me give you some context. As you know, Transport Scotland is an executive agency of the Scottish Government, but we are also a sponsor for eight or nine public bodies, ranging in size from ScotRail and CalMac Ferries all the way down to the Scottish Road Works Commissioner.

One impact of Covid that hit the transport sector is on the way in which people use our public transport systems. You will have seen it yourselves: hybrid working, people not coming into

the office as much, different use of outdoor spaces, effects on retail, and things like that. We have also been impacted significantly by inflationary costs, particularly of fuel, for our rail and ferry fleets et cetera. That has meant that an increasing amount of revenue spend is required to support the public transport system. A number of workstreams are under way to help to bring that about.

First and foremost, we need to encourage more people to use the public transport system, because the more people who use it, the greater the revenue that we are able to generate. That reduces the amount of support that the Government needs to provide. How do we do that? We do it by making sure that we have resilient and reliable services. That is where our focus is first and foremost.

I will pick up on the rail sector first and then talk briefly about the ferries sector. In the rail sector, over the last period, there has been about a 7 per cent increase in the number of services that are being used. We are looking to increase the number of ScotRail drivers, in order to reduce our reliance on rest-day working. That will help us with a number of industrial relations risks. We are also looking at how to bring in an integrated ticketing platform across our public transport system. That would involve all modes of transport, and, as you would expect, it would require a degree of consistency and some governance changes across all the different modes. So, a number of things are on-going in the rail sector.

In the ferries sector, our focus is obviously on bringing the new vessels into the fleet and ensuring that we have a forward programme for investment both for future ferries and for ports, to help deal with the reliability issues. That gives you a flavour of the things that we are doing.

Going back to the rail sector, I would highlight the interdependency between track and train, and the work that we are doing with Network Rail and with ScotRail—which is the primary operator in Scotland—to drive efficiencies in how those two organisations work together to improve outcomes and reduce costs. There is a whole suite of work.

I will pause there.

The Convener: Transport Scotland is a sponsor body and has responsibility for overseeing eight transport public bodies. Is that too many?

Alison Irvine: You will have views on a number of the bodies that exist—in particular when it comes to ferries, I imagine.

The Convener: Indeed.

Alison Irvine: You will be aware of the cabinet secretary's views when it comes to our work to move the Clyde and Hebrides ferries service

contract to a direct award. At previous committee meetings—probably of the Net Zero, Energy and Transport Committee rather than this committee—I have talked about some of the complexities that are associated with that. That is the first stage. In October 2025, we should be in a position to have moved to that direct award. We then need to turn our heads to what is next. Obviously, the cabinet secretary will be looking for options on that, and will make decisions on where we go next with it.

Liz Smith: I have a quick question on your dilemma of how to ensure that more people use public transport as you try to rationalise the workforce. I represent Mid Scotland and Fife, and we have had a lot of problems with the train service in central Fife—specifically, the reduction in the numbers of carriages, because of the drivers issue. How will you go about making those two difficult pieces of the jigsaw come together?

Alison Irvine: What you and the people of Fife are experiencing is a combination of driver availability and fleet availability.

Part of the fleet availability issue will be resolved through our procurement for the intercity fleet, which was announced just before Christmas. Issues with maintenance on the intercity fleet have knock-on effects on the availability of other rolling stock. That is just one aspect of what we are doing, but it is not the end of the journey for us. It is about continual improvement.

Similarly, on driver availability, we are taking great steps to recruit drivers at the greatest rate that is possible for us. We have challenged ScotRail over what can be done to increase the number of drivers recruited and to get people through their training programmes. When those positions are advertised, they are always well subscribed. There is a great deal of demand for them.

Similarly, for ScotRail's maintenance departments, it is about attracting engineers with the right levels of skills and expertise. Again, we are challenging ScotRail on that.

Liz Smith: There is pressure in upward costs. What you have cited raises costs. Balancing that against greater efficiencies is not easy, I am sure, but it is a key point.

Craig Hoy: Good morning, Alison. In addition to the sponsored bodies that you engage with, you have committed a considerable amount of money to Sustrans through a number of programmes—principally, the places for everyone programme. I understand that that programme is coming to an end and that you will move to a model whereby you directly fund councils for active travel.

Obviously, that was an innovative way of funding those projects and developments but,

bearing in mind that Sustrans is a charity and also a lobbying organisation, does the fact that you are moving to a model whereby you fund councils directly reflect any concerns about delivering those services through such a model?

Alison Irvine: You have almost answered your own question. The model that we had with Sustrans—in particular through the places for everyone programme—worked really well; however, it is no longer sustainable, given the scale of the investment that ministers are now choosing to make in active travel. It is too much of a risk for Sustrans as a charity to maintain. It was a joint decision to draw places for everyone to an end. By no means was it something that we imposed on Sustrans. Reaching that decision jointly was important, because it is important to recognise the success of what Sustrans has done for us as a country, in raising the standard of the active travel and behaviour change work that we got under way.

The question now is how we transform that work and empower local authorities to take on that role because, given that they are transport authorities and roads authorities, the responsibility and decision making probably sits better with them. That is the transition that we are making.

11:15

Craig Hoy: You will be aware that there is considerable unease among local authorities about money being passed down to them on a ring-fenced or hypothecated basis. In future, would you envisage that local authorities will have more freedom and flexibility to determine whether that funding should go into roads infrastructure rather than, let us say, an active travel programme?

Alison Irvine: We continually discuss that with local authorities. Different funds are allocated for slightly different purposes and by different means. You will have to forgive me for not naming the funds—I will just get them wrong. There is one fund that every local authority gets on a pro rata basis, and that is used as they see fit. That is the tier 1 funding.

Tier 2 funding is more about what we would describe as a bid-in process for local authorities to start to develop schemes. They would come to us with proposals on what they would like to invest in.

Tier 3 is what I would describe as our gold standard, and we are not quite there yet, but that is an evolution in active travel delivery.

Michael Marra: What I am hearing so far from the various contributions is that you are all doing your jobs: you are delivering against the mandates that are set out for you in legislation and as

directed by Government. We are interested in the opportunity for reform and change more broadly.

I suppose that what you are describing, Alison, is the changes that you are making in Transport Scotland to increase demand for public transport, and that is you meeting the mandate that is set out for you. I am interested in whether organisations feel that they have the agency to respond to the broader vectors with regard to the need for reform, not just the financial limitations of budgets—Garry McEwan mentioned the downward pressure on budgets—but the external pressures of demographic change, climate change and technological change, and to adapt what they are doing.

I was struck by NHS National Services Scotland's submission. It refers to—this is the top of its list—a

“compelling case for change”

being a

“Burning platform”.

That seems to me to be about an emergency response rather than an organisation having the agency to say what it thinks that it, as part of a set of public organisations, will have to do to respond to the context that Scots find themselves in and how they live their lives. I want to know about the leadership opportunities that you as organisations have to respond to that. Maybe the witnesses could give me a flavour of that.

The Convener: I was going to ask specifically about the “Burning platform”, because that phrase intrigued me. When responding to Michael Marra's question, will you give us a wee bit of background as to what that is? The submission just says that it is

“a compelling case for change.”

Mary Morgan (NHS National Services Scotland): A burning platform can be something that is absolutely in flames and that requires an emergency response on a national basis, with our working together as a single system to resolve a problem that arises, or it can be something that is smouldering and lets us see that we have a compelling case for change in the longer term. For example, everyone has talked about digital components, but digital components have an end because contracts come to an end. That is an opportunity to make a change and to plan for it. We have not always been good at doing that—sometimes, time runs away from us.

There is no shortage of work for any of us, certainly in the health system. Demand does not go away and, at the end of the day, very often that burning platform might just be our keeping up with demand and ensuring that patients get treatment.

It is about aspects on which there is an acknowledgement from all parties that something needs to change.

I was also quite taken by one of my colleagues speaking about digital change not being everything. It is about people. How do we change people and have a flexible workforce? Some of the skills that are becoming in short supply might create a burning platform for us whereby we have that compelling case for change—to think about what the future will look like for the skills that are needed for people in Scotland.

The Convener: You said that digitalisation is not the answer to everything. I do not think that anyone thinks that it would be, but we certainly understand that there are innovations in the health service. For example, the work on programming of operating theatres represents an opportunity for significant productivity gain.

One of the concerns that we have in Scotland—indeed, it is a UK issue as well—is that staff numbers in the NHS have never been higher but productivity is significantly lower than it was prior to the pandemic. How are you addressing that? What role do digitalisation and artificial intelligence perhaps have in addressing that—as well as the workforce directly, of course?

Mary Morgan: I cannot answer for the whole of the NHS in Scotland. That is not my remit.

The Convener: I appreciate that.

Mary Morgan: In NHS National Services Scotland, we are supporting a lot of those innovations. The AI piece is coming forward. We have done some work around radiology transformation and enabling people to work from home. In addition, a big programme on digital dermatology is coming forward, which will look at getting more people through more quickly, identifying their illnesses and streaming at least some of those people out.

I do not have all the answers on that, because the demand is there and it is not ceasing—

The Convener: Demand has gone up, but productivity is lower than it was prior to the pandemic. Demand is exceptionally high—it is higher than it has ever been, I believe—but productivity is substantially lower. That is not the case for the rest of the economy or even the public sector. I wonder what is being done to address that.

Mary Morgan: Together with the DG health, lots of groups are looking at that, and lots of innovative solutions are being brought forward. The theatre systems piece is being introduced on a national basis, with the intent to get some benchmarking data out to see how theatres are being utilised and

make sure that we reduce any unwanted variation between theatres and between operators.

The Convener: Is there a proposal to adopt AI on an all-Scotland basis as opposed to health board by health board? My understanding is that the fragmented delivery of AI is slowing down its adoption and making it much more costly.

Mary Morgan: Absolutely. We have a technology and innovation group, and one of its goals, which the chief executives agreed with the Scottish Government, was to agree an AI policy for Scotland rather than all of us doing our individual pieces. What is our policy around AI across the NHS in Scotland?

The Convener: Good. That is progress, because that was not the case a year ago. I will let Michael Marra come in, and then a couple of others who are keen to come in.

Michael Marra: On the convener's point about productivity, I note that a report that the Institute for Fiscal Studies produced recently says that the productivity changes in Scotland have been much worse than those in the rest of the UK. There has been a productivity rebound in the NHS in other parts of the UK but not in Scotland. Can you give us any reflections on why that would be the case given the reform process? Is the pace of change not strong enough? Why has the position in the rest of the UK not been reflected in Scotland?

Mary Morgan: I do not think that I have the ability to answer the question in that detail. I was not expecting to get quite so big a question about the productivity of the NHS in Scotland, so I am probably the wrong person to seek to answer that.

Michael Marra: Okay.

The Convener: We will move on. I will bring in Alison Irvine, to be followed by Lynne Raeside.

Alison Irvine: I want to go back to a question that Mr Marra asked. He described us as doing our jobs. As the committee has heard today, there is no "one size fits all" for public service reform, and it is really important that that message is heard loud and clear. It is about more than doing our jobs. On my capacity as a leader to drive change and have foresight, looking at demographic change, where the key risks are and all the rest of it, that is what the job is, and I have teams that help me to do that. I have teams that forecast future demand and teams that monitor current demand. I have people doing all that analysis, which is part and parcel of the job.

I came in at the tail end of the Auditor General's evidence and I thought that it would be good to flag up a couple of things and get some further thoughts on them. One is the multiyear funding point and the other is about culture. You do not need me to tell you this but, for a variety of

reasons, it takes a long time to deliver a project in the transport sector. I will not go into those reasons now, as other committees have looked at them in great detail. However, having a multiyear funding deal would help us, the construction sector and local authorities to have a bit more certainty about where we are likely to be developing projects and so on, which would help to drive a degree of efficiencies. It is good that there will be a spending review from the UK Government. That will make its way through the Scottish Government and allow us to start to present infrastructure projects.

Chris Kerr mentioned culture change in relation to the digital transition. We have a culture change challenge around the move from a commercial contract to a public service contract. ScotRail was run under a franchise for a number of years; it is now under public ownership. The CalMac contracts will move into that same place. I will be putting a great deal of focus on that to ensure that we have the right culture in Transport Scotland and that the public bodies feel empowered to have the right culture around that public service ethos.

The Convener: How important is transparency in that culture? My experience with Transport Scotland is that transparency is not important at all. For example, I have asked questions for five years on a specific project in my constituency, and the answer that I continue to get—when I ask in the chamber and through written questions and so on—is that Transport Scotland is currently progressing through the necessary governance procedures.

I have asked what those governance procedures are and I am still waiting to hear, three or four years later. Regarding one project, I got told on 17 November 2021 that I would be kept informed. Three and a half years later, I still have not been given an update on that specific project.

Alison Irvine: As you are the chair of the committee, I can probably guess what those projects are, but I will give you a more general answer.

One of the downsides of having a long-term infrastructure plan is that people will have projects that they are particularly interested in but the timescale does not align with what they want. We get that quite a lot in transport, because people like transport projects—they like more services and more infrastructure. There is then a need for a leadership perspective. It is the job of politicians to make the case for their own constituents in their own areas. My job is to look at transport in the whole of Scotland and to provide ministers with the best advice on where to invest and on what decisions and recommendations to make.

The Convener: That is a “moving swiftly on” answer. However, in terms of transparency, if I ask a specific question about what the governance procedures are, because constituents and community organisations are asking me directly, is it not a courtesy, apart from anything else, to respond and say, “These are the procedures and this is how long it is going to take to wade through them,” rather than just present this blank wall? I have to say that that seems to be unique to Transport Scotland. I am not aware of any other public body where, if I ask a direct question, three or four years later, I still have not had an answer, even though I have asked it at every level that it is possible to ask it at.

Alison Irvine: Perhaps you can pick that up with me separately, Mr Gibson, and I will write to you.

The Convener: Indeed. I thought that you might say that. Let us move on.

Lynne Raeside: On Mr Marra’s question about having the agency to make change, the SFC is the data authority for Scotland’s colleges and we also support the Higher Education Statistics Agency in being the data authority for universities. As a result, we have a vast amount of data. We use that data ourselves but we also share it with other partners across the public sector, including the Scottish Government, colleges and universities.

Our digitalisation programme has allowed us to invest in that data. We are now working to build a unified data platform. That has been through our own agency and has not been driven by Scottish ministers. We are developing a unified data platform, which will make it much easier for us to share that data with other partners, so that we can make data-led and evidence-based decisions across the whole of the public sector in relation to Scotland’s colleges, which will help with national skills planning and provision planning. We will also look at demographics and where provision should be, and the social demographics that will drive provision. That is one of the ways in which we are investing, and it has been through our own agency.

11:30

John Mason: I will go back to Mary Morgan and to some of the stuff that we have touched on about what is done nationally and what is done locally. One of the biggest public sector reforms in recent years has been the changes to the police and the fire service, which went from having eight local boards to one national board.

I do not expect you to answer all the questions, but how would that work with regard to the health service? Would it come from the health boards saying, “We want to join up with each other,” or

does it need to come from the top, with the Government, saying, “We are going to put you all together”? Is there space for doing a bit more nationally or a bit less nationally?

Mary Morgan: It is about balance. A structural change such as that would need to come from a policy decision. Health boards are independent legal entities and there are all sorts of employment law that is wrapped around that, which means that there are boundaries in place. We work nationally—my evidence shows you all the national services that National Services Scotland offers. The health boards work regionally, and we have networks of services that operate regionally—when a board or hospital cannot provide a service locally, then it will be provided for them at another hospital. For example, the Golden Jubilee national hospital operates nationally and provides regional services to the west of Scotland. Further, many community services are provided locally.

No matter what we do, whether we have a national organisation or not—we have a national organisation called the NHS in Scotland, although it is not the legal employer, if you like—we are always going to operate locally in communities and in places with other services in the way that has been discussed. Changes to structures will not take away the need to collaborate and to work together. NSS works with Transport Scotland on transport plans and how we can apply for funds for climate sustainability work, and so on. We need to collaborate and work together to provide solutions. Changing structures and organisational boundaries can be something of a distraction to the work that needs to be done.

John Mason: As I understand it, someone in Ayrshire who may need a particular procedure that cannot be done locally would go to Glasgow. In a sense, that system is working at the moment, so there may not be a lot of space for reform. You have mentioned AI. I understood from your submission and other papers that there is a bit of a barrier to some things because different health boards are doing things differently.

Mary Morgan: There will always be variation. Some of that will be warranted, because of employment circumstances or the demands of the local population, and some will be unwarranted, if it occurs simply because that is the way that particular things are done in a certain area. We have driven forward change through national procurement, for example, and in buying the same things from suppliers, so that procedures can become more similar. Some of those changes can take a long time to put in place, because, for example, it takes a long time to train consultants and nurses in particular procedures.

The health system is not just about procedures and productivity around waiting times; it is about health and social care. As has been reported by the Auditor General and others, we need to get ourselves into a space of prevention—that is, preventing ill health in the first place. Just now, a lot of what we are looking at nationally is about how we move pathways of care to include prevention and what happens to people once they have had procedures. As a population, we need to move ourselves forward to the prevention agenda.

The Convener: In my experience, we have gone backwards on flexibility in some respects. For example, a decade ago, some of my constituents in Skelmorlie, which is on the border of the NHS Greater Glasgow and Clyde area, would have been able to go to Inverclyde hospital, but now they have to jump through all sorts of hoops to do that. Eighty-year-olds are having to visit relatives in hospital in Crosshouse, which, from their perspective, is at the far end of Ayrshire, when they have another hospital a few miles up the road.

There used to be a simple arrangement whereby people from Skelmorlie would have gone to Inverclyde hospital in the NHS Greater Glasgow and Clyde area and NHS Ayrshire and Arran would have paid for that, but I feel that there is now a reluctance to allow that to happen. The interests of the patients seem to be secondary to accountancy concerns. I am not convinced that the flexibility that you have mentioned has improved over the years. In my experience, we have gone slightly backwards in that regard.

Mary Morgan: I cannot answer on the details of individual circumstances that are not in my area, but I will make the comment that it is not always just about money. I know that money is a big thing, so the word “just” is not necessarily what people want to hear—

The Convener: It is about capacity.

Mary Morgan: It is about capacity, but it is also about subspecialisation. In years gone by, there were orthopaedic surgeons who did everything. Now, increasingly, an orthopaedic surgeon will do hands or shoulders or knees or hips. The issues of increasing subspecialisation, the workforce skills base and capacity have come to the fore, and there is also the issue of the balance between emergency and elective procedures.

The Convener: If that is the case, though, that should be explained to patients, and, in my view, that does not seem to happen.

Michael Marra: Is transparency not also a key issue in that regard? I have similar concerns to the convener. In NHS Tayside, no vasectomies have been carried out for two years. None were carried out for a whole year and then, using the kind of

arrangements that you have described, we managed to secure 400 procedures—these were family planning decisions—to be carried out elsewhere. Those services have, in effect, been withdrawn locally but nobody has been told that. People are sitting on waiting lists and they need to be told about that situation. Is engagement with the public in the processes that you are talking about key to what you do?

Mary Morgan: Again, I cannot speak to what engagement looked like in particular circumstances, but Healthcare Improvement Scotland has set standards of engagement, which we all aspire to, in relation to changing or not delivering services. I do not know about the particular circumstances to which you refer; there might have been a prioritisation issue or there might have been a vacancy that meant that, for a particular period, there was no one available with the necessary skills to do that procedure. Such things happen within services.

The Convener: Garry McEwan has been very patient.

Garry McEwan: Thank you, convener. FSS has had a 25 per cent budget reduction over 10 years and we have reduced our staffing complement by 80 in the past three years. However, that does not mean that we are not really trying to transform our organisation and our services. Public service reform has definitely provided opportunities for us. Off the top of my head, I can give the example that, traditionally, we would have looked to backfill a post such as head of digital or chief scientific adviser, but we have decided to co-fund those posts with similar bodies to split the costs. That also builds a relationship that was probably not there previously.

We are tied into an accommodation contract in Aberdeen until 2029, but we have offered other public bodies and Scottish Government divisions the opportunity to co-locate in the accommodation at no additional cost. I am right in the middle of looking at how our finance department can support another public body that is far smaller than us and provide all its financial services. Earlier, I heard the Auditor General talk about the transformation of back-office and corporate functions, which is absolutely what we and other delivery bodies are trying to achieve.

About two years ago, the delivery bodies group undertook an assessment of which corporate functions we could share as services. We were involved in a vast amount of work on that, and then public service reform came along, and, to be honest, that work did not quite wither on the vine but it stopped. It was only a couple of months ago that the chairs of the delivery bodies group reinstigated that work. We have done that because, as a delivery bodies cohort, we see the

benefits and opportunities of shared services and the savings that can be made.

The Scottish Government has identified or ring fenced an invest-to-fund pot of money. We would like to know how we can access that. I genuinely believe that, if FSS and others get access to some of that money, we could transform our services and make real savings over the next two to five years.

In 2023 and 2024, we made a proposal in relation to transforming the local authority food law delivery model across Scotland. That was about creating a database and the opportunity to build in a licence fee for the 75,000 food businesses across the country. With limited investment in the next couple of years, up to about £6 million, year on year thereafter that could generate up to £30 million for the Scottish economy. Those are some of the ideas that we are trying to put to the Scottish Government and other places to generate income to meet those efficiencies.

The Convener: What sort of hearing are you getting?

Garry McEwan: It has taken time, to be honest with you. As I said, it has been to and fro with our chief executive officer and our chair of the board for the past couple of years, but in the past two or three months, we got some limited funds for this year. We are not guaranteed the £3 million of funding for next year, but we are optimistic and hopeful that we will get that in the next two or three months.

The Convener: You said that it has taken a couple of years. Does that tell you that there is a lack of urgency in dealing with something that, as you said, could bring in an additional £30 million for the Scottish economy? Is that a concern?

Garry McEwan: The time that it has taken is certainly a frustration and a concern for us. I do not know whether there is a lack of urgency or whether the Scottish Government is involved in other priorities, with the result that the proposals from Food Standards Scotland and some of the other delivery bodies are not getting the same hearing. That is why I welcome the opportunity for a public service reform steering board or governance board. Once that is fully established and working as it is meant to work, we are hopeful that some of the proposals that we have made will get on to the table of the real decision makers.

The Convener: If our other guests have similar frustrations, I would be happy to hear them.

Jane Morrison-Ross: To come back to Mr Marra's question, we feel that we have agency to drive change and to focus on continuous innovation and evolution of what we need to do as an agency. We are aware that we are the newest

enterprise agency. We are coming up to our fifth year, so we do not have decades of processes, bureaucracy and structure that we have to pull with us. We can be quite fleet of foot and flexible, and we can accelerate how we focus on what needs to be done for the south of Scotland, but we do that very much through a place-based lens.

We are focused on what we are told to deliver by the Scottish Government. I have to say that we have excellent relationships with our sponsor team and the cabinet secretary, who are very transparent and open. However, we realised that that core ask of us was not enough for us to deliver what is needed and to catch up. We are very aware that Scottish Enterprise and HIE have been around for decades and we have not, and we have to play catch-up and run to deliver on what is needed.

Therefore, we decided to look at the foundational blockers that we see in the south, which are very much the same in other areas—transport, skills and housing, which is absolutely critical for us. We also decided to focus on the core remit and the core deliverables of economic growth, SMEs, supporting businesses, enterprising communities and so on. We also considered the additional layer of where the opportunities are coming, which involved horizon scanning for what we could see that we would have to grab hold of very quickly.

When I came into post, it was explained to me that the Scottish Government's current and future inward investment focus for the south was food and drink. That was the only thing. Food and drink are incredibly important sectors for us in the south of Scotland and we are doing a lot of work there, but they are not the only important sectors. That is why we are now the natural capital innovation zone for Scotland, why we have a director of net zero and a head of energy transition, why we now have two hydrogen hotspots in the south of Scotland and why three quarters of our inward investment opportunities are focused on hydrogen and energy transition. That is because we went out and grabbed the opportunities that we could see. We were not neglecting the core remit; we were looking for a way to deliver on the ambition that we could hear from businesses and people across the south of Scotland.

Ross Greer: I want to touch on the points about transparency that the convener made a moment ago. I would like to ask about availability of public data. Everybody here represents a public body. We had evidence from the David Hume Institute which, a couple of years ago, probably presented the most compelling case that there is a net loss to the Scottish economy of roughly £2 billion a year simply because the majority of public data is not directly available to the public.

I do not want to continue picking on Transport Scotland, because I think that the issue relates partly to the Improvement Service as well, but I will give a small example. MSPs regularly lodge parliamentary questions to get updates on the number of young people who have been issued with concessionary bus passes. Usually, breakdowns by local authority are asked for. That seems to me to be a very unproductive system. There are similar areas in which we have to lodge freedom of information requests, for example. That data exists and the counter is constantly ticking up, but it is not on the front page of freebus.scot. That means that we have to go through a costly administrative process in Parliament—I presume that there is also a process in Transport Scotland and the Improvement Service—to get the data and present it. That is one small example.

Another example is that only a handful of public bodies in Scotland operate an open government licence. To be fair, I note that the Scottish Government is one of them, but most executive agencies and non-departmental public bodies do not—they have copyrighted websites.

I put this question to all the witnesses: what are you doing to make your data more directly available to the public? Rather than having it behind a wall and then giving it to somebody when they come and ask for it, for example via FOI, what are you doing to pre-emptively and proactively make that data available in the first place? There is clear evidence that, if we do that, there will be a net benefit to the economy.

11:45

The Convener: Craig, do you want to come in on that?

Craig Hoy: I want to go back to Lynne Raeside, briefly. In relation to the Scottish budget and the Scottish economy, it is vitally important that the proceeds of having highly skilled and highly paid jobs are shared throughout Scotland. Last year, Dumfries and Galloway had the largest net outbound migration of young people and was one of seven local authority areas in Scotland that experienced net depopulation.

What is the silver bullet that we need at the national level to ensure that, if we bring skilled jobs to Scotland, we do not see them only in Edinburgh and—as might be the case to a lesser extent now—Aberdeen? On the shift in population and population saturation by local authority area, East Lothian, Midlothian and West Lothian are clearly buckling under the pressure. What do we need to do at the national level to make sure that we can bring skilled jobs, firstly, to Scotland and, secondly, to areas like the south-west of Scotland,

where there is clearly an issue in relation to young workers leaving the region?

The Convener: I suggest that we look to big projects like XLCC's 900-job £1.5 billion investment in Hunterston in my constituency, for example.

Alison Irvine: I will respond to Ross Greer's questions and comment on the data. We aim to publish as much data as we can, because that saves us answering FOI requests and PQs. Therefore, it is in our interests to do that.

I will take away the specific comments that were made in relation to bus passes for under-22s, but I will say that, because we operate within the rules of the statisticians, there is always a degree of checking and cleaning of data before we publish something, which might affect its currency. However, it is certainly in our interests to do anything that can do to reduce the number of questions that we get.

Chris Kerr: I will also respond to Mr Greer's point about data. As you would imagine, Registers of Scotland holds a lot of data on land and property. I will mention two areas. We publish externally on the website as much as we can of the performance and productivity data that we hold internally, and we hold information and data in the registers, which are available and for which a fee is charged for access. There is a question about whether that is the right approach and whether some of the data in the registers should be available free of charge. That is ultimately a matter for ministers.

There is an inherent cost to collecting and maintaining that data and keeping it safe, given what we know about cybersecurity and the risks to it, and that cost must fall somewhere. It must fall on the general taxpayer, on the users of our other paid-for services—people who are buying and selling property—and on the people who seek to access that data. At the moment, the latter is where the balance lies, but there might be scope to look again at that, in the future.

The other point that I will mention is that we have a service called ScotLIS, which hosts our registration data. When it was first conceived, the idea was that other public bodies would add their data to it. It is a map-based system in which you can interrogate data from the land register, the crofting register and other registers that we host.

We have not made as much progress as we perhaps wanted on including data from other organisations; there is a host of reasons for that. It is partly due to different licensing arrangements, and partly due to the fact that the various bodies that own or host the data have different rules around what they charge for it and whether they can make it freely available. There are also

technical issues around making different elements of the data talk to each other, and making the system work from that point of view. Another issue concerns funding from the other bodies to enable them to invest in putting data on to the system.

With regard to making the data more widely available and the system more intuitive, we could strive to make improvements, but that needs to move up the prioritisation list for the organisations that own the data.

The Convener: In your submission, you talk a lot about digitisation of data and so on, so I was going to ask you a specific question about that, anyway. What is ROS doing to ensure that the data system, and all your tech systems, are compatible with those in other areas of the public sector? What discussions are you having across public bodies and the public sector on adopting tech that appears, from your submission, to be very innovative?

Chris Kerr: I am not a technical person, so I might be slightly the wrong person to answer that question—

The Convener: It was in your submission.

Chris Kerr: The submission was from the keeper of the registers of Scotland, rather than from me.

We are talking to colleagues across Government, including our technical colleagues such as architects and others who work in the area, and their presumption is always to work to an open standard. There would need to be an architectural reason for them to deviate from that, which would allow data sets to be combined. Creating new data sets is inevitably more straightforward, whereas it is more challenging to deal with legacy systems and history in other organisations as well as in our own organisation. Nevertheless, the presumption is that that is how we operate, in particular when we are looking at new systems.

The Convener: It is quite astonishing that we are where we are. In contrast, we might look at the Estonian X-Road system, which is very advanced. It has everyone's medical records on it, and the police can go into it and liaise with Interpol and various other international police services. Estonia's system has myriad data, yet in Scotland we are still talking about producing systems that might or might not be compatible with one another. When you think about it, that is astonishing.

Is there any central leadership on that in the Scottish Government? Is there someone who speaks to each of you and says, "This is the system you should adopt and this is the way you should go forward", or are you more or less left to

do it autonomously, through discussions with one another?

Chris Kerr: In my experience, there are forums in which that can be discussed, but there is not a centrally imposed position from the SG—certainly, as far as I am aware from our involvement.

The Convener: So, would you suggest that there is no direct Scottish Government leadership on that?

Chris Kerr: No—I would say that there is leadership, but there is not a mandatory approach. I would express it in that way.

With regard to Estonia and other countries that have advanced further down that route than we have been able to go, I think that—

The Convener: Estonia has advanced from a base level at which, less than 30 years ago, there was not a computer in the entire country.

Chris Kerr: Absolutely. As I understand it, the key point is that Estonia's system has excellent identification of individuals. It is absolutely reliable, with unique identifiers for individuals across sectors. That brings a lot of benefits. It also brings some risks, and some people would say that there are civil liberties arguments and other arguments against it, but that is what has allowed Estonia to make the progress that it has made.

The Convener: Michael Marra wants to come in on that, before I bring in Mary Morgan.

Michael Marra: The other function of X-Road is interoperability among the various data sets.

The Convener: Exactly.

Michael Marra: The idea is that, rather than asking whether we can re-engineer legacy systems, if a new system is being built, it should be built to a standard that enables data to be shared between, for example, Food Standards Scotland and the Scottish Funding Council.

Lynne Raeside talked about building a new data system. You said that that was done independently. Did you consider, and did the Scottish Government provide any form of guidance on, the need to ensure that your data system could be used interoperably with the other agencies that are represented around the table today?

Lynne Raeside: Like Chris, I am not a technical expert, but I will say what I can. If you need further detail, I can speak with colleagues and provide it in writing after today's session.

We are working within Microsoft infrastructure, because Microsoft is the vendor of choice across the public sector, but we also engage closely with the Scottish Government's digital directorate to

ensure that what we are doing meets the digital standards that it has set. There is regular engagement with the Scottish Government, and there is guidance.

Michael Marra: It might be useful to have some indication of the guidance that was issued, convener, given the committee's interest in interoperability, particularly when new systems are being built.

The Convener: I am happy to take that forward.

I see that a number of people are keen to come in. I call Mary Morgan, to be followed by Jane Morrison-Ross.

Mary Morgan: I just want to pick up on a couple of points.

I head Lynne Raeside talking about Microsoft; however, I point out that other vendors are available. Leading on a national procurement basis, we tend not to build but to buy off the shelf. There is a procurement process when it comes to building; the question in that respect is, "What is your specification?", and it is important that the data parameters are built into the specification. An organisation can buy one system, but new systems are always developing, and it is important to understand the point about procurement rules and law in that respect.

A real bugbear of mine is that I can buy a new games machine and plug it into my television at home, but in anything that we do we cannot buy a new digital system and just plug and play: interfaces need to be built and sorted through. One particular development in that respect is the national digital platform, which is being led by NHS Education for Scotland and is about building the various components of data and service pathways on a single platform, along with the interfaces. It will have multiple uses across the system, which is a really good thing.

With regard to data timelines, which Alison Irvine talked about, the fact is that, by the time you have been through the statisticians, there can be a delay in what is formally reported.

Sometimes freedom of information requests come in. We regularly receive such requests. Sometimes we can answer them, because we own the data, but at other times we are simply processing data on behalf of others, so there can be a distinction in that regard. Nevertheless, we review every request that we get to see whether the information can be made more publicly available, instead of waiting for the next year's request to come through, and we try to make things easier. There is learning that organisations can adopt, in that space.

With regard to Mr Hoy's point about the geography of jobs, one of the things that we have

learned, gained and retained post Covid is the hybrid working that people have spoken about. We have reduced our building estate substantially. Because we are a national organisation that employs people nationally, we can have conversations with people about where they want to be located for their roles. For example, the more than 1,000 people whom we employed for the national contact tracing centre never had a base—they were home-based workers, and that is the basis on which we recruited, trained and deployed them. Indeed, we still employ a number of them on that basis. They are diversely employed across Scotland.

It is interesting is that some of the really skilled people and skilled jobs are the middle managers, middle-level experts and up-and-coming people who have new ideas that they can bring to organisations. One of the biggest things that has assisted the diversity of geographical employment has been flexible working and hybrid working and its being accepted that people do not need to be in the office every day.

With healthcare, though, there are constraints when it comes to particular skills. One would wish one's obstetrician, for example, to be located so that they can get to the building where they deliver babies by a certain time. That sort of thing creates some constraint or restriction on where people might be located in relation to the hospitals for which they work.

On the whole, though, I think that the approach has been really positive. A number of my senior team do not live in the central belt, in Edinburgh or in Glasgow, but live much further away and are still able to transact much of their business on a hybrid basis or, indeed, just from their homes. That has helped—location is less of a constraint than it used to be.

Jane Morrison-Ross: To come back to Mr Hoy's questions, I think that, unfortunately, there is no silver bullet. If there were, we would have fired it long ago.

For me, there are probably three component parts to this, the first of which is awareness and recognition. As colleagues will recognise, I have made an absolute pain of myself at many levels of Government, reminding people frequently and regularly that the south of Scotland exists, so that I can ensure that we are taken into account when it comes to inward investment opportunities or developments.

I was never a fan of the phrase "island proofing", as a Millportonian—I always thought that it sounded like "child proofing"—but there is something to be said about the island-proofing approach being of benefit to rural economies, too. More could be done to take into account the

opportunities for rural economies in decisions that are made at the national level, especially if they are inward-investment related.

What we really need is a systems-based approach. One of the major challenges that we face in the south of Scotland—I know that this view is shared by HIE—is housing. We do not have enough housing for the people who are there already, for those who want to come in or for the potential jobs.

12:00

We have talked about the NHS. We worked very closely with NHS Dumfries and Galloway, which now has a massive shortage of suitable accommodation for workers whom it employs and for general practitioners and other specialists who are trying to come to the area. That also impacts on young people; we see that young people are leaving the region but, again, that will always happen. Young people often want to go off and train or take up jobs or education opportunities outside their region. We want them to have increased choice but, historically, they have not had that in the south of Scotland.

Now we have the Crichton campus, the University of the West of Scotland, Scotland's Rural College and excellent colleges in Dumfries and Galloway and the Scottish Borders. Glasgow School of Art is in discussion about what it could deliver there, and Heriot-Watt University and Napier University are involved in the Borders. There is increased choice for young people and increased access to courses, training, apprenticeships and graduate apprenticeships. Those will all help them to stay in the region or to come back to the region, but we also have to have the right jobs for them.

I and many of my generation left Millport or Largs to study or take up jobs. If we wanted to go back home, we would not have been able to use our degrees. We want people to come back and to be able to use their degrees. There are opportunities such as those at Hunterston and there are inward investment opportunities, but there is also support for and nurturing of emerging economies and sectors around natural capital, the just transition, the energy transition and so on.

We often make the mistake of looking at all the components separately, rather than taking a systems-based approach and trying to understand how they are all intertwined.

The Convener: It is the old saying, is it not? How are you going to keep them in Sanquhar after they have seen Dumfries?

Lynne Raeside is obviously keen to come in. In relation to advanced procurement for universities

and colleges, paragraph 12 of your submission says that

“the sectors saved £30.4 million in 2021-22 through collaborative agreements with APUC.”

What percentage of procurement was that? Was it a saving of 5, 10 or 20 per cent? How did you make that saving, and what lessons are there? Please address that issue as well as raising the point that you want to raise, of course.

Lynne Raeside: Thank you. The point that I was going to raise about the provision of data and making it more publicly available has been addressed by many other contributors. I echo the point about the challenges of working within Office for National Statistics restrictions on when we can and cannot publish data, but I think that most of those points have been made.

I also echo Mary Morgan's point about hybrid working. That has certainly provided us with significant opportunities to spread our workforce beyond Edinburgh, which has been really beneficial. We have colleagues working in many different parts of the country.

On advanced procurement for universities and colleges, I am afraid that I do not know what the percentage is, but I can provide you with that information in writing following today's meeting.

The Convener: It seems very significant in itself; I just wonder what it represents in terms of the share of procurement and the lessons that can be learned.

Lynne Raeside: That is a very good question, and I will come back to it. We fund APUC to carry out procurement on behalf of colleges and universities, which allows them an economy of scale when they are procuring products and services, rather than them individually buying those services. The savings are through economies of scale, but we can provide more information on that after the meeting.

Garry McEwan: FSS has a data and digital steering board, and although I agree with Chris Kerr that the SG is not there to mandate, senior officials from the digital directorate sit on that group, and they absolutely make a huge contribution in advising me as the chair and others across the organisation on the best way forward, particularly on digital solutions. FSS is 10 years old, the infrastructure is old and dated and the systems are all outsourced. Over the next couple of years, we hope to inwardly invest in digital expertise so that we can build systems in-house, enhance cybersecurity and allow our information technology solutions to go on to the SG cloud, which they are not on currently. We just need a bit of investment—I know that I have laboured that point—to allow us to do that.

The Convener: The Scottish Parliamentary Corporate Body can get you a new website for only £3 million.

Garry McEwan: Interestingly, we are in the process of designing a new website for FSS that will be more accessible. That relates to Ross Greer's point about the publication of information, FOIs and so on.

The Convener: I certainly hope that it will not cost £3 million.

Garry McEwan: No, it will not.

The Convener: I hope that it will work better and all.

I have a question that I would like our guests to think about; they do not have to answer it. An issue that is debated back and forth in the public domain is that of where the £60 billion-plus budget should be spent. I imagine that all the organisations that are represented here would like to receive an increase in the funding that is available to them. Garry McEwan has been very direct about that, no doubt because of the 25.5 per cent real-terms cut that his organisation has endured over the past decade.

If you would like your organisation to receive an increase in funding, could you say how much additional funding it would be appropriate for it to receive for the forthcoming financial year? In addition—this is the \$64 million question, which you may or may not want to answer—if it is your position that your organisation needs extra money, please say where that money should come from. Have you identified where in the Scottish budget it should come from? Alternatively, should it come from additional taxation? I do not want everyone simply to say, "Aye, just give us more money." That will not help us in any way, because we still have the same budget. If anyone has anything to say about where they think that money could be redirected from, I would be happy to hear from them. Do not all rush at once.

I see that Mary Morgan and Garry McEwan would like to respond—that is good.

Mary Morgan: We would always like to have more money. It is important that the costs of initiatives are covered. Someone mentioned the reduction in the working week. We are going through that process in health at the moment. It involves significant additional costs. Although we can absorb that in areas where we do not use shift workers, there are additional costs in areas where we have shifts to cover on a 24/7 basis and where the staff member is inseparable from the patient or donor. When we are talking about productivity in a one-to-one situation, it is not possible to improve the time level much.

We would always like to have more money and to have our costs covered in the first instance, but my personal view is that I would like to eliminate my organisation's reliance on non-recurrent funding for individual projects and programmes. History shows that many of the individual programmes and pieces of work that National Services Scotland undertakes happen on a recurring basis. There is always another programme to replace the current one.

To go back to the issue of employability and giving employees certainty of employment, I would like us to receive all our funding on a recurring basis, so that we can make decisions about it.

The Convener: Okay, but where would that additional funding come from? That would have an additional cost. What is your estimate of how much that would be?

Mary Morgan: That would not necessarily be additional funding. It would involve converting money that we get as a non-recurrent allocation on an annual basis. That would enable a longer-term funding horizon to come through, which would give us certainty.

The Convener: Everyone agrees that organisations should have longer-term funding across the board. I was asking whether there is anything that you think that you should receive additional funding for now and where that should come from, or whether you support reduced taxation and reduced funding.

I am not asking you specifically; I am asking a general question.

Mary Morgan: I do not have a view on where it should come from. I can think of lots of things that I would spend more money on.

The Convener: That is the issue that we face, is it not?

Mary Morgan: We talk about making changes, transforming services and undertaking public service reform, but some of the changes that are needed require investment. The move away from legacy systems, whereby everyone does things differently, requires a break point. Should we have shared corporate services that are set up differently? Should we have a different way of doing things so that we can bring people on board with that approach?

The Convener: Over the past 15 years, John Mason has often raised the issue of preventative spend. We always end up in a situation in which people say that they would like additional money to go on preventative spend, but when we ask them where we should disinvest, we are met with a wall of silence.

Garry, what is your response?

Garry McEwan: I have probably already covered this but I will reiterate my point because you asked the question. In relation to local authority delivery of food law, if we were given £3 million next year and £3 million the year after, by the end of 2027, we estimate that we would be able to generate income of up to £30 million per year.

The Convener: So, you are suggesting that, if additional money is allocated now, you could repay that fivefold in a matter of years. Is that correct?

Garry McEwan: Yes.

The Convener: Okay. That is something.

Lynne Raeside: We obviously recognise that the budget is very challenging. We have been fortunate that colleges and universities have both had a slight, modest uplift to their budgets. What we want to know is how we might access the £30 million invest-to-save budget.

It also depends on the minister's decision on the consultation about the future of the funding body landscape. If there is a decision to bring funding for provision into one place and to bring together different systems and processes, there will be costs associated with that. It would be very challenging to do that without additional funding.

Similarly, there may be opportunities to support colleges in transforming their curricula or in bringing together, for example, a single college student record system, which is another project that we consider would benefit from that pot of funding.

The Convener: As no one else has suggested that they want to contribute, I will wind up the meeting by asking you all to make one further point that you feel we have not covered in our deliberations. It can be on any aspect of the budget. No one will be excluded, so you will all be expected to say something, but it can be any point that you think of. It will be rhetorical—we are not going to debate it—so it is just any point that you want to make.

Jane Morrison-Ross, because you opened the evidence session, you will be the last person to contribute. We need a volunteer to begin making any further points that people want to emphasise.

Garry McEwan will kick us off.

Garry McEwan: I will very quickly make a point on shared services and delivery bodies. I genuinely feel that if delivery bodies were to have a bit of headspace over the short term—18 months to two years—with a ring-fenced resource, they could collectively make some real efficiencies around shared service provision and back-office and corporate support functions, but they need a

bit of breathing space, as a cohort, to enable them to do that.

The Convener: Yes, that is more or less what Lynne Raeside touched on regarding the £30 million budget.

Chris Kerr: I want to flag up something that we have done at Registers of Scotland this year with our Scottish Government finance partners. There are quite detailed and technical rules on how organisations can spend income that they generate. Resource spending is generally straightforward but capital spending can be more difficult, because there are rules about how you can reallocate fee income to capital projects.

We have worked on that very hard with our Scottish Government finance colleagues and we have been able to reduce our request for capital spending in the budget for the year that we are talking about down to £700,000. That is down from what would usually be around £3 million to £4 million, depending on the capital expenditure that is needed each year. That is a good thing and we hope to continue that approach as we go forward, but there is a lot of complexity in the public finance rules, which sometimes hinder opportunities to be innovative.

Mary Morgan: I would like to see us collectively learning from what already works well and where there are successes. Very often, we as public services and as a system focus on what has gone wrong and there is scrutiny around that. I heard the Auditor General mention that earlier in the meeting. It is really important that we learn from successes about what has worked, what has been released by way of savings and what productivity increases there have been, and that we try to replicate those successes more frequently than we do.

The Convener: It has been a frustration for many years that best practice in Scotland is not shared in the way that it should be. That is a really important issue.

Alison Irvine: The transport budget in the draft budget for next year is just over £4 billion. That is not an insignificant amount of money. One of the joys of this job is that everybody has an opinion on what it should be spent on and how we should raise the funding. I will let you, as politicians, deliberate on that.

These are probably really technical points, but, as I said, it would be useful to have more than one year's funding profile, so that we can plan on that basis. That should apply not just to us but to all the local authorities that work with us on the range of things that we do.

12:15

Similarly, it would be useful were the budget to be managed in such a way that what we had at the start of the year did not change. The point was made earlier about emergency budget reviews, which have quite a significant impact on how we do things. That approach would be good for us as an organisation.

My final point was in one of the papers somewhere, so I apologise if I am stealing somebody else's good idea. If there are opportunities for reform in individual sectors that generate savings, we should be encouraged to come up with other ways to improve the service offering that we have in our portfolios. That would be a real incentive to drive reform not just in the transport sector but probably in other sectors.

The Convener: Another idea is that you should get to keep the savings that you make in your portfolio. I worked in the private sector—I will not say who for. We had a staff suggestion scheme on saving money and nobody put in any suggestions. The managing director then said that the person who put forward a saving that was implemented would get to keep 10 per cent of that saving. The organisation was flush with wonderful ideas on how to save money.

Alison Irvine: I do not want to keep the money—it would not be for me; it would be to invest in different ways in the transport sector.

The Convener: Indeed. I think that the committee would agree with more or less all of that.

Lynne Raeside: Gosh. That is an interesting question to end with. I have a similar point to the one that Mary Morgan made about learning lessons from elsewhere. In education reform, there are lessons to be learned from England and Wales, with the creation of the Office for Students and the Medr. It is really important that we learn the lessons from other educational reforms in other parts of the UK.

One of the biggest lessons is that we must take the time to ensure that there are no unintended consequences. We also need to take along with us the expertise from within the organisations that are being reformed. There is a lot of expertise in them, and we must not lose that expertise as we go through the reform process.

The Convener: I agree, except that we should sometimes look beyond the UK, because there are ideas across the world that we can learn from.

Lynne Raeside: Indeed.

The Convener: Last, and certainly not least, I will bring in Jane Morrison-Ross.

Jane Morrison-Ross: PSR gives us a huge opportunity. The world has changed dramatically and will continue to change dramatically. Therefore, what we do as a whole public sector has to change dramatically to deliver against that.

I worry a little bit about the focus on shared services. As a former consultant, I know that that approach will cost a lot of money and might not deliver the savings that are needed. As Mary Morgan said, technology is the easy bit and the changes to culture, people and the process are much harder. One size does not fit all.

Again, that takes me back to the south of Scotland. We are very keen to see a national approach to PSR. We need to take the opportunities to evolve while allowing for a place-based lens to translate whatever is decided into something that will work for the regions that we serve.

The Convener: I thank all our witnesses for their participation today and for their written contributions.

We will continue our evidence taking on the Scottish budget 2025-26 next week, when we will hear from the Scottish Parliamentary Corporate Body on its budget bid and from the Cabinet Secretary for Finance and Local Government.

Meeting closed at 12:18.

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Edinburgh
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The deadline for corrections to this edition is:

Wednesday 5 February 2025

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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