

Public administration in government

Purpose

1. The Committee is invited to take evidence from John-Paul Marks, Permanent Secretary to the Scottish Government, on issues relating to public administration in government including:
 - Progress made in response to an aspect of the Committee’s inquiry into effective Scottish Government decision-making (“the Decision-making inquiry”) which appears to remain outstanding,
 - Update on actions being taken within Government on fiscal sustainability and public sector reform,
 - Proposed civil service reforms and their possible impact on the Scottish Government,
 - Most recent exchanges with the Scottish Government regarding the development of Financial Memorandums,
 - The Scottish Government’s Consolidated Accounts for the year ended 31 March 2024,
 - Update on propriety and ethics, and
 - Culture and transparency within the Scottish Government
2. These annual evidence sessions have previously taken place on [3 May 2022](#), [16 May 2023](#) and [21 May 2024](#). The last session was held shortly after the new First Minister, John Swinney, took office.
3. At this evidence session Mr Marks will be accompanied by the following Scottish Government officials:
 - Jackie McAllister, Chief Financial Officer,
 - Lesley Fraser, Director-General Corporate, and
 - Gregor Irwin, Director-General Economy.
4. This session falls within the public administration aspect of the Committee’s remit, which is to provide “oversight and scrutiny of the way in which government exercises its overall functions and the quality and standards of administration provided by the civil service in the Scottish Government”.¹

¹This wording is from a Parliamentary Bureau paper on establishment of committees, June 2021.

Background

5. Mr Marks took up post as Permanent Secretary (PS) on 1 January 2022, having previously worked as Director General, Work and Health Services at the Department for Work and Pensions.
6. The Scottish Government website explains that Mr Marks is the principal policy adviser to the First Minister and Secretary to the Scottish Cabinet as well as the principal accountable officer for the Scottish Government. He is personally responsible to the Scottish Parliament for the exercise of his responsibilities, including the management of the Scottish Government's budget and the economic, efficient and effective use of all related resources.
7. On 18 December 2024, it was announced that Mr Marks would become HMRC's Permanent Secretary and Chief Executive in April 2025.²
8. The Scottish Government then launched a recruitment exercise for its next Permanent Secretary. A salary range of £170,000 - £185,000 was set for the position and the role includes managing the Scottish Government's budget of approximately £64bn in 2024-25.³
9. It was announced on 7 March 2025⁴ that Joe Griffin has been appointed as the new Permanent Secretary to the Scottish Government. He is currently Director General, Strategy & External Affairs in the Scottish Government and will take up the post on 7 April 2025. In line with the usual process, the appointment was made by the First Minister in agreement with the UK Cabinet Secretary.
10. As the Committee heard during its decision-making inquiry, the PS is a member of the Civil Service Board and also a member of the weekly leadership team led by the Head of the Civil Service (Cabinet Secretary), currently Sir Chris Wormald who was appointed in December 2024 to replace Simon Case.⁵ The PS explained that these meetings are the means by which he inputs the perspective of those working for the Scottish Government into any reviews of the civil service.
11. During Mr Marks' last annual evidence session on 21 May 2024, the PS spoke to the key areas of focus for him at that time. These included:
 - a. improvements as a result of the Committee's effective decision-making inquiry, including transparency of the accountable officer (AO) scheme, improving the Freedom of Information response rate, and finalising the approach to the Scottish Government governance review;

² [New Permanent Secretary and Chief Executive at HM Revenue and Customs - GOV.UK](#)

³ [Scottish Government launches recruitment drive for new perm sec](#)

⁴ [New Permanent Secretary to the Scottish Government appointed](#), UK Government, News Story, 7 March 2025

⁵ [Prime Minister appoints Sir Chris Wormald as new Cabinet Secretary and Head of the Civil Service - GOV.UK](#)

- b. new capabilities on strategy, performance and delivery with targeted programmes to improve risk management, AO assurance, and commercial asset management;
- c. update on historical harassment reviews and striving for best practice in propriety and ethics;
- d. review of the national performance framework and developing long-term insight briefings;
- e. balancing the budget;
- f. implementing a new Scottish Government leadership framework; and
- g. developing policy profession standards to support advice to ministers.

12. In 2024, there were a number of inquiries into aspects of the civil service being undertaken at the UK Parliament. Due to the General Election on 4 July⁶, final reports were not published for:

- a. House of Commons Public Accounts and Constitutional Affairs Committee inquiry into [Devolution Capability in Whitehall](#) (the PS gave evidence on 16 April 2024).
- b. House of Commons Scottish Affairs Committee inquiry into [Intergovernmental Relations: the Civil Service](#).
- c. House of Commons Public Administration and Constitutional Affairs Committee inquiry into [Civil Service Leadership and Reform](#).

13. There are no new inquiries into the civil service being undertaken currently. The House of Commons Scottish Affairs Committee is, however, holding an inquiry into [the financing of the Scottish Government](#), which could have downstream impacts.

14. This will be Mr Marks' last opportunity to speak with the Committee before taking up his new post, therefore it may be interested in hearing his reflections on his main achievements and what he considers are the immediate priorities for his successor.

15. Another area of interest to the Committee may include any changes to Mr Marks' liaison with the wider civil service following the appointment of a new Cabinet Secretary and Head of the Civil Service, Sir Chris Wormald at the end of 2024.

Effective Scottish Government Decision-Making

16. The Committee published its [report on Public Administration – effective Scottish Government decision-making](#) on 3 July 2023. The background to the report and the responses received to the various strands are included at Annexe A for information. There appears to be one outstanding Committee recommendation

⁶ The announcement of a General Election on 4 July 2024, meant Select Committees were unable to meet from 24 May and ceased to exist from 30 May until after the General Election.

that the Scottish Government has given a commitment to deliver, this is covered below.

Long-term insight work

17. In relation to the challenges Government faces in balancing short-term issues with tackling longer-term issues, the Committee recommended that consideration be given to civil servants working for the Scottish Government providing long-term insight briefings on the challenges facing Scotland over the next 50 years.
18. Responding to the Committee's decision-making report in 2023, the PS highlighted horizon scanning work already undertaken as well as work underway to strengthen the Government's capacity to assess future risks and preparedness. He confirmed that, in addition to responding to the Scottish Fiscal Commission's Fiscal Sustainability report⁷, "we will begin publishing reports of longer-term insights in the early autumn of next year [2024] to create a new resource for public bodies and partners in the third and private sector". It is unclear whether the Scottish Government has to date published any such insights reports and this therefore may be an area of interest for Members to explore.

Fiscal sustainability and public sector reform

Fiscal Sustainability Delivery Plan

19. As part of its 2025 pre-budget scrutiny, the Committee concluded that repeated publication delays of key strategy documents such as the Medium-Term Financial Strategy, Infrastructure Investment Plan pipeline reset, Tax Strategy, and multi-year plans, until after the next fiscal event have "unfortunately led to a perception of the Government being in a state of inertia".
20. It has now been confirmed by the Cabinet Secretary for Finance and Local Government that the Medium-Term Financial Strategy (MTFS) and the Fiscal Sustainability Delivery Plan (FSDP) will be published at the end of May 2025. Scottish Government officials told the Public Audit Committee (PAC) on 5 March 2025 that the funding levels set out in the MTFS would be refreshed after the UK Spending review in June.⁸
21. The PS attended the Public Audit Committee (PAC) on [5 March 2025](#) in relation to consideration of the report by the Auditor General "Fiscal sustainability and public sector reform in Scotland". On the purpose of the MTFS, he said that "will provide the Government's view on the economic outlook, the risks that we face and the strategy for sustainability". He added that it will be accompanied by a Fiscal Sustainability Delivery Plan, which will set out "the actions that are being taken to address those risks, including on workforce, health and social care

⁷ The Scottish Government has not published a full response to the SFC's report but did hold a debate on fiscal sustainability at the request of the Committee in October 2024.

⁸ Public Audit Committee, 5 March 2025, Official Report, Col 6.

reform, social security, tax and growth". Following the UK Spending Review in June, he explained that "the Scottish Government will be able to update the infrastructure pipeline with the revised capital assumptions that we will get from the spending review".

22. The Permanent Secretary may be able to provide further detail on why two documents covering the same time period are now needed, rather than just incorporating additional information into the MTFs, and why the FSDP does not look further ahead, for example using the same timeframe as the SFC in its fiscal sustainability report (50-year horizon).

Public sector reform

23. The PAC heard from the PS that the Scottish Government is taking actions to achieve savings, such as, from programmes "that we have set up on estates, digital, commercial and workforce, where we have been able to avoid costs and release savings. That is around £280 million over the past two years up to the end of the current financial year, and a projected £300 million in the next two financial years". He added, that "we have been trying to encourage and support empowerment for cost recovery and revenue raising through examples such as the tourism levy and the cruise ship levy". The PS told the PAC, "we are determined to go further and faster on reform, to continue to build capabilities for preventative whole-system transformation and to improve long-term outcomes, and we agree that that will be fundamental to long-term sustainability".

24. In response to the recommendations in Audit Scotland's report the PS said:

"We agree that there is an opportunity to improve governance arrangements, and Mr McKee is going to chair a public service reform board. We are developing the quality of information by portfolio to demonstrate how PSR will contribute to sustainability, ready for the 2026-27 budget."

25. The Permanent Secretary may be able to provide more detail during evidence around the actions being taken to support public sector reform.

Mandate letters

26. The Committee previously said it considers that mandate letters issued to Cabinet Secretaries by the previous First Minister, provide an opportunity for better accountability of decision-making and delivery of outcomes, no longer appear to be being used. There is a lack of clarity about the status of these mandate letters.
27. When appearing at the PAC, the PS explained "having published his programme for government, the First Minister has taken the decision to organise its deliverables in a dashboard, which we discuss as a Cabinet and executive team every other month, and that data is all captured so that he can track it

accordingly. That is an improvement on the process of mandate letters, which was a bit of a static process”.

28. The Permanent Secretary may be able to provide more information about the decision-making accountability and delivery of outcomes benefits from using a ‘dashboard’ rather than mandate letters, including how this supports transparency and impacts on scrutiny.

Use of strategy documents

29. On the 17 May 2024 when speaking about the economy in Glasgow, the First Minister said the Scottish government is producing too many strategy documents and "concrete actions" are needed instead. He added, "A strategic approach is clearly essential, but I want the first question we ask ourselves to be - what can we do, rather than what can we write down."⁹

30. As part of its 2025-26 Budget report published in January 2025, the Committee asked the Scottish Government for information on the number of ‘live’ strategies by the end of June 2025. The Scottish Government’s response to the Committee’s report states that the “Strategy and Delivery Directorate will undertake an exercise across portfolios to identify the number of ‘live’ strategies, to provide a baseline for numbers to be monitored and reduced wherever possible”. The Cabinet Secretary for Finance and Local Government, confirmed in her letter dated [12 March 2025](#), “I have asked my officials to accelerate work to review the current number of live strategies and I will provide an interim update to the Committee by the end of March. This will be followed by a further, more detailed review before the originally agreed June deadline”.

31. Further explanation of the role of the Permanent Secretary and Scottish Government officials in supporting the formulation of ‘national strategies’ and in relation to decision-making about the need to create, revise or end a national strategy may be able to be provided to the Committee during this session.

Civil service reforms

32. The UK Government has announced plans to reform the UK civil service, with the aim of redirecting resources from the backrooms to frontline roles, such as border guards and prison officers. At the time of writing, the main changes will be:
- a. senior staff will have performance-related pay and those failing to meet required standards could be dismissed if they do not improve within six months,
 - b. decreasing the size of the central civil service,
 - c. more civil servants working outside London,
 - d. any civil servants performing below expectations may be "incentivised" to leave their jobs, with mutually agreed exits,

⁹ [Swinney says Scottish government writing too many strategy papers - BBC News](#)

- e. one in ten civil servants to be employed in a digital or data role within five years, delivered through apprenticeships and retraining staff.¹⁰
33. On 10 March 2025, Prime Minister Sir Keir Starmer wrote to civil servants to promise reforms, stating he wanted a "more agile, mission-focused and more productive" Civil Service. The Prime Minister is expected to expand on his plans for civil service reform at an event on Thursday 13 March 2025.¹¹
34. The [latest public sector employment statistics](#) show that the number of devolved civil servants has increased since the establishment of the Scottish Parliament in 1999, at a faster rate than the overall devolved public sector. Since 1999, total jobs in the devolved public sector have increased by 16%, but total jobs in the civil service have increased by 96%.
35. Comparing latest Q3 data with pre-pandemic Q3 2019 jobs, shows that headcount in the devolved public sector overall has increased by 9%, but by over 40% in the civil service.
36. The Cabinet Secretary for Finance and Local Government, when giving evidence on the Scottish Government's response to the Committee's report on the Scottish budget for 2025-26, was asked about the growing number of senior civil servants, she said:
- "We will address that through the workforce plans to reduce the number of directly employed staff in the civil service, but we will do that in a managed and careful way. The fact that we have a larger public sector with better paid workers is because of an investment that we have made over a number of years."¹²
37. She added that "an across-the-board percentage would be too blunt a tool, but I want to give an absolute assurance that every organisation will have a plan for reduction and how it will do that".¹³
38. During an evidence session on the Spring Budget Revision held on [4 March 2025](#), the Committee requested further information on the net saving from reducing the contingent workforce versus the increase in senior civil servants. Reference was made to an answer to a recent written question which showed that "on 31 March 2022 the contingent workforce across all directorates was 989 and on 30 September 2024 it was 668, which represents a reduction of 321. Over precisely the same period, the number of senior-grade civil servants increased by 500, which is significantly more than the reduction in the contingent workforce".

¹⁰ [Civil Service reforms will be radical, Pat McFadden vows - BBC News](#)

¹¹ [Keir Starmer vows to unleash 'shackled' civil servants - BBC News](#)

¹² Finance and Public Administration Committee, Official Report, 18 February 2025, Cols 14-15

¹³ Finance and Public Administration Committee, Official Report, 18 February 2025, Col 16

39. The Committee may wish to explore with the Permanent Secretary the approaches being taken by the UK Government and Scottish Government in relation to the reform and size of the civil service.

Financial Memorandums and framework bills

40. This session, the Committee has expressed concern about the quality and consistency of Financial Memorandums (FMs) provided by the Scottish Government and the accuracy of FMs which accompany co-designed Bills. More background can be found at Annexe B.
41. Since the last annual session with the Permanent Secretary in May 2024, the Committee wrote to the Minister for Parliamentary Business asking that guidance for Bill teams drafting FMs be updated to address quality and consistency issues. The Committee made an announcement in the Chamber on [10 September 2024](#) to inform Members of these ongoing issues and the actions the Scottish Government had taken to address them, the Convener stated—

“It is hoped that the updated guidance and renewed focus on training will lead to improvement in the information that is presented to Parliament and, consequently, in the scrutiny of such documents in the future.”

42. Most recently, the Minister for Parliamentary Business wrote to the Committee on [6 March 2025](#), advised that the finance guidance note on preparing FMs (which accompanies the Scottish Public Finance Manual (SPFM)) has been reviewed and updated to ensure that the Committee’s recent feedback “has been given greater prominence”. In addition, the Minister emphasised “the importance of this matter has been highlighted [to] all Ministers and Bill teams, and this message continues to be reinforced”.
43. Further information on the practical actions being taken to reinforce this message to all Ministers and Bill teams could be explored during this session.

The Scottish Government Consolidated Accounts for year ending March 2024

44. In September 2022, the Committee agreed to consider the Scottish Government Consolidated Accounts each year as part of its annual evidence session with the Permanent Secretary, as Principal Accountable Officer.
45. The Consolidated Accounts report actual outturn and compare it to the budget authorised by the Scottish Parliament. They cover around 90% of that budget and report:
- a. the amount the Scottish Government spends against each main budget heading and the reasons for any significant differences,
 - b. the amounts distributed to public bodies,

- c. assets, liabilities and other financial commitments carried forward to future years, and
 - d. contain a performance report.
46. The Scottish Government [Consolidated Accounts for the year ending 31 March 2024](#) were laid in the Parliament on 10 October 2024 alongside the corresponding [Auditor General for Scotland's section 22 report](#). The Auditor General for Scotland (AGS) reports that total net expenditure by the Scottish Government during 2023/24 was £53,980 million, £277 million less than budget. The resource budget was underspent by £193 million (0.4 per cent) against a budget of £51,766 million. Capital was underspent by £84 million (3.4 per cent) against a budget of £2,491 million.
47. In his report conclusion, the AGS states—
- “The Consolidated Accounts remain a critical component of the Scottish Government’s accountability to the Scottish Parliament and the public. The recent, regular requirement to implement in-year savings to balance the budget demonstrates the unsustainable financial position for the Scottish public sector. The Scottish Government needs to better link spending decisions with the achievement of priorities and outcomes and demonstrate this transparently to the people of Scotland.”
48. The PS gave evidence to the Public Audit Committee (PAC) on the above section 22 report at [its meeting on 22 January 2025](#). In response to the report, the PS said “the fiscal position remains tight, but it has improved following the United Kingdom Government’s autumn budget of 2024.
49. A few areas were discussed at that meeting which are of relevance to the Committee.
50. The Scottish Government provided additional financial reporting on the Scottish public sector on [29 October 2024](#). This was in response to a request from PAC [when considering the 2022/23 consolidated accounts](#) for information about progress towards producing whole-government accounts, as although this information existed through bodies own annual accounts it was not brought together in a transparent way. The PS explained “It seeks to provide a consolidated view of the financial position and the assets and liabilities of all the entities that exist underneath the Scottish budget”. He added that the pilot report also covers more information about how the Scotland reserve is used and “how money flows through it” and on borrowing.
51. In relation to fiscal sustainability and the management of the budget, the PS said expenditure on social security is “forecast to increase from just over £6 billion to £8.5 billion, but the departmental expenditure limit on the block grant will go from £1.2 billion to £1.5 billion. The difference to the block grant because of the choices the Scottish Government makes is material, but, in the context of a budget that is more than £50 billion, my judgment is that it is manageable”.

52. In evidence to the PAC on [7 November 2024](#), the AGS said “the Scottish Government is able, within the confines of the fiscal framework, to engage in revenue and capital borrowing. Significant requirements must be met for revenue borrowing—for example, it can be undertaken if it is needed to address a fiscal shock or to meet a budget reconciliation for the fiscal framework outturn. Within those constraints, the Government must break even, which requires really careful budget management”.
53. Regarding the flexibility of borrowing provided through the fiscal framework, the PS explained at the PAC session on 22 January 2025 that “by the end of this parliamentary session, around a quarter of the borrowing headroom – approximately £1.5 billion - will be available for the next parliamentary session, and repayments are scheduled to manage that”.
54. On public sector reform, the PS said that “the Scottish Government will continue to publish regular public service reform updates”. The PS referred to the new HR and Finance system (Oracle cloud) which has been implemented, stating the “Scottish Government has a strong foundation for the use of shared services in the year ahead, which is important for public service reform”, adding, “progress has been made to put the organisation on a sustainable path”.
55. Finally, on further improvements, the PS explained that Scotland’s National Performance Framework is being reformed, with the aim of accelerating progress and enabling transformation, and the performance report element of the accounts has also improved.
56. A SPICe briefing in Annexe C provides more detail in relation to the Consolidated Accounts.

Update on propriety and ethics

57. A key focus of the Committee’s previous annual evidence sessions in 2022 and 2023 was scrutiny of progress against the Scottish Government’s response to the three harassment reviews that took place in late Session 5. Further background is available at Annexe D. The Continuous Improvement Programme has been completed and the Committee received an update on activities carried out by the Directorate for Propriety and Ethics on [17 May 2024](#).

Updated information

58. Relevant actions, which would have taken place after the PS’s last appearance before the Committee, have been set out below, as well as the most up to date information where this is available online:

General work of the Directorate of Propriety and Ethics

- Relationships have been established with propriety and ethics functions across UK administrations including hosting the first ‘four nations’ propriety and ethics discussion in Edinburgh in March 2023, attending a meeting

hosted by the Welsh Government in Cardiff in November 2023 with the next hosted by UKG in Spring 2024.

- An internal audit review of the processes in Propriety and Ethics was undertaken which provided a 'reasonable' assurance rating. It was noted that no formal complaints had been received since the new process for handling complaints about Ministers and former Ministers had been put in place. The review recommended testing, so a 'table-top' exercise is planned. The review also recommended improvements to business planning particularly in relation to risk management and capacity, which are being taken forward.

Procedure for handling complaints about Ministers or former Ministers

- The most recent information was published on [16 December 2024](#). There have been no complaints received or investigated in the previous 6 months.
- The pool of external investigators and decision makers appointed under the procedure expired in February 2024. Contracts have been temporarily extended until December 2024. It is unclear whether a new pool has since been appointed.

Information and records management

- On 25 January 2024 the former First Minister announced an externally-led review of Scottish Government's use of mobile messaging apps and non-corporate technology to recommend improvements to Scottish Government's record management policy and practice as well as working practices in relation to modern digital workplaces. The review reported on [17 December 2024](#). The Deputy First Minister announced at the conclusion of the review that "We have taken the decision to end the use of mobile messaging applications across the Scottish Government. That will happen by Spring 2025."

Culture and behaviours

- The 2023 People Survey scores show a small increase in the headline bullying and harassment score ("Have you been bullied or harassed at work, in the past 12 months?") which has increased by 1% compared to the 2022 score, increasing from 7% to 8%. This is the first increase from a historic low of 7% seen over the last 3 years, and reflects the UK Civil Service benchmark which is also 8% in the 2023 Survey. For 2024, [the score has increased to 9%](#). This is above the benchmark in the 2024 survey of 8%. The Welsh Government is 5%
- The Scottish Government has just launched a new Diversity and Inclusion Employer Strategy. One of the Strategy's four themes is entitled 'Promoting Positive Behaviours' and includes a suite of actions for 2024 – 2027 addressing the topics of Bullying + Harassment, and Discrimination. These actions are designed to deliver impactful change, with this impact being measured against the Strategy's KPIs, and progress monitored by our Diversity and Inclusion Governance Group.

59. The Committee might wish to hear more about the potential reasons for the slight increase over two years in the number of staff experiencing bullying and harassment in the workplace, and the actions being taken to address this.

Culture and transparency within the Scottish Government

60. While freedom of information (FOI) sits within the Standards, Procedures and Public Appointments Committee's remit rather than with the FPA Committee, the Scottish Government's approach to releasing information can be indicative of the wider culture within the organisation. In her [statement to Parliament on 17 December 2024](#), the Deputy First Minister stated that "the FOI Improvement Plan is already making improvements", adding that "it has developed comprehensive training programmes and detailed guidance, and it supports staff to respond more quickly and more effectively to requests". She went on to say that the Scottish Government is "now responding to over 95% of FOI requests on time", which she argues "reflects this government's commitment to transparency".
61. However, the Scottish Information Commissioner recently expressed his disappointment regarding the Scottish Government's handling of a specific FOI request, subsequent appeal, and accuracy of a related media statement made on 26 October 2024. The FOI request and subsequent appeal by the Scottish Government related to the release of legal advice to appeal an FOI request for information regarding James Hamilton QC's review of the former First Minister's conduct in relation to the ministerial code. Further background to the Commissioner's [Decision 193/2024](#) can be found on his [website](#).
62. The Commissioner [welcomed the Scottish Government's disclosure](#) of the legal advice in response to Decision 193/2024, "albeit at the 11th hour", noting that "it is frustrating to know that my scarce resources were absorbed in an appeal that advisers pointed out was not the one to test the particular legal argument being deployed". He added that the delay in releasing the advice for two and half years "is wholly unacceptable and as a result the substantive information initially requested still remains open" and that he would be writing to the Permanent Secretary highlighting his concerns. The [Herald newspaper](#) reported that the case cost the Commissioner's office £30,000 in external legal costs, and the Scottish Government around £118,000.
63. The Commissioner [wrote to the Permanent Secretary of 12 December 2024](#) stating that "I do want to express my disappointment in the way that elements of this case have been handled", specifically—
- the Ministers' failure to withdraw the Court of Session appeal once it was clear there was limited prospects of success and the associated impact on public funds,
 - delay to request,
 - the misrepresentation of position in related media statements, and
 - the quality of original submissions.

64. He went on to say—

“As regulator for Freedom of Information (FOI), I was deeply disappointed in the tone of the media statement accompanying the disclosure, which, in my view, misrepresented the facts as disclosed in the information. The statement suggested that the Ministers had a stateable case throughout the timeline of appeal. [...] this is not a true or transparent reflection of advice received. Ministers’ chances of success diminished considerably over time and attempts to present this otherwise are not what I would expect from a Public Authority.”

65. The Scottish Government’s media statement referred to by the Commissioner said—

"The decision to comply with the commissioner's decision and release the legal advice has been taken after careful consideration and does not set any legal precedent. The material shows Scottish ministers took decisions based on appropriate analysis of the legal considerations. This included discussions with the Lord Advocate, who was content that there were proper grounds for appealing and who agreed with ministers that the decision should be appealed. This was a complex and intricate point of FOI law, which the Court of Session's judgment recognised as addressing a sharp and important question of statutory interpretation. The material reflects the thorough deliberation the Scottish Government gave to this matter."

66. In his [response to the Commissioner’s letter dated 18 December](#) Mr Marks states that—

“I am satisfied that the Scottish Government responded within the proper timeframe, that the decisions taken at each stage were informed by comprehensive and impartial advice, including from King’s Counsel and the Lord Advocate, and the case was handled consistent with Ministers’ obligations under the Freedom of Information (Scotland) Act. [...] I am satisfied that throughout Ministers had a stateable case, seeking to test an important point of statutory interpretation. To support transparency and accountability, the response to the final decision was the subject of a Parliamentary statement made by the First Minister on [29 October](#), which sets out the Scottish Government’s position in full”.

67. Echoing many of the concerns raised by the Committee in its pre-budget 2025-26 report, the Auditor General for Scotland has also recently criticised the Scottish Government regarding a lack of transparency. He said in his aforementioned Fiscal Sustainability and Reform in Scotland that—

“The Scottish Government has not been transparent enough with the Scottish Parliament or the public about the medium-term risks it is facing. The medium-term financial strategy and financial plans for the NHS and infrastructure investment have all been delayed. The absence of these

documents makes scrutiny of the current uncertain financial situation more difficult.”

68. It is unclear if the civil service working for the Scottish Government is impacted by the [commitment made in December 2024](#) by the Permanent Secretaries to the UK Government’s Department for Culture, Media and Sport and the Department for Science, Innovation and Technology to introduce a revised gender reassignment policy. They stated in December 2024 that, “in accordance with the Equality Act 2010, the revised policy will balance the rights of staff with different protected characteristics, including but not limited to gender reassignment, religion and belief, and sex”. They went on to say, “a well-functioning civil service is one that allows its civil servants to safely hold, voice, discuss or challenge any lawful perspective, without fear or favour”. This commitment was part of a settlement of an [employment tribunal claim brought by a civil servant](#) “on the grounds of philosophical belief, sex, and disability, along with victimisation, protected disclosure detriment and unfair constructive dismissal”. She described a “climate of fear” around equality, diversity and inclusion and named senior civil servants who she argued had been “complicit in significant breaches of impartiality”.
69. The Committee may be interested in exploring with the Permanent Secretary issues relating to the culture in the Scottish Government, including its approach to ensuring openness, transparency, value for money and impartiality.

Committee Clerking Team
March 2025

Effective Scottish Government Decision-Making

Background

1. On 3 July 2023, the Committee published its [report on Public Administration – effective Scottish Government decision-making](#). In it, the Committee makes a number of recommendations intended to support greater understanding and transparency over how the Scottish Government takes decisions. On 31 August [the then Deputy First Minister](#) and Cabinet Secretary for Finance (now the Cabinet Secretary for Finance and Local Government and hereafter referred to as the Cabinet Secretary) and [the Permanent Secretary](#) responded to that report.
2. Following receipt of these responses, the Committee wrote on 19 September to the [Cabinet Secretary](#) and, separately, to [the Permanent Secretary](#) seeking further clarification and also seeking an update, by the end of March 2024, on some aspects of their responses. A further response was received on [2 November 2023](#) from the Cabinet Secretary, with subsequent updates received on 25 March 2024 from the [Permanent Secretary](#) and [from the Cabinet Secretary](#) which have also been summarised below.
3. At the time of its report publication in July 2023, the Finance and Public Administration Committee wrote to the Public Accounts and Constitutional Affairs Committee at the UK Parliament drawing its attention to the Committee's findings, given its work related to the Civil Service. The Committee also wrote to the then Cabinet Secretary and Head of the Civil Service, Simon Case, drawing his attention to the Report's findings and recommendations and inviting him to provide any comments. Mr Case confirmed that he does not intend to respond to the Committee's report as the Permanent Secretary to the Scottish Government has already written to the Committee.

Transparency

4. A key purpose of the Committee's report was to provide greater transparency over how decisions are taken. During the course of its inquiry, the Committee identified a significant mismatch between the information publicly available about the civil service (for example on its website) and how it works in practice.
5. The Committee recommended that the civil service makes public how it supports Governments of different political parties in different areas of the UK at the same time whilst remaining one civil service. Allied to this recommendation was a call for a stronger presence and identity for the civil service that supports the Scottish Government, beginning with more detail on the role and accountability of the Permanent Secretary to Ministers and his relationship to the wider civil service governance structures such as the civil service board and leadership group. More

generally, the Committee's report makes recommendations aimed at providing greater transparency over decision making.

6. In his response, the PS sets out his role and responsibilities, confirming that "positive and valuable engagement as a civil service profession takes places across all the nations of the UK", all of which operate to the same core principles.
7. In his March 2024 update, the PS confirmed that he remains committed to exploring what further information can be made more accessible publicly in relation to his role and relationships with wider civil service governance and how the Civil Service working for the Scottish Government explains what it does. He identifies information set out on the [Scottish Government's website](#) and the [Civil Service Code](#).
8. The PS further explains that "devolution has afforded some scope for differences in matters of people policy and on how the Scottish Civil Service operates". In that regard, the Scottish Civil Service Code contains its own provisions and notes that civil servants are accountable to Scottish Ministers, thus enabling civil servants to maintain the ability to serve future governments of different political persuasions. The [Civil Service Management Code](#) sets out the framework for departments in setting local employment policy and terms and conditions of service, albeit the terms and conditions of Senior Civil Servants (SCS) are reserved to the UK Government. The PS also highlights the role of the Constitutional Reform and Governance Act 2010 (a UK wide Act) in requiring civil servants to "carry out their duties for the assistance of the administration as it is duly constituted for the time being."
9. The Cabinet Secretary's response sets out how, as members of the [Open Government Partnership](#), "we are working alongside other governments by committing to the values of openness, transparency, accountability and citizen participation." In his March 2024 response, the PS highlights the current delivery of [Scotland's third Open Government National Action Plan](#) 2021-2025 in partnership with civil society.
10. The Cabinet Secretary explains that she remains committed to ensuring the principles of openness and transparency, acknowledging that continuous improvement activity and exercises to learn lessons are valuable routes to develop the policy advice process and the transparency and accountability of decision-making. As such, the Cabinet Secretary committed to report back on how Scottish Government reflective learning and sharing "including more transparency monitoring and evaluation can be more fully embedded in Scottish Government to improve the accountability of government decision-making". One example the Cabinet Secretary highlights is through a cross-government working group led by the Chief Social Policy Adviser to streamline and improve Impact Assessment processes which are a "crucial component of the approach to decision-making" on the likely effects arising from a proposed policy.
11. In addition, the Cabinet Secretary confirms that the Chief Social Researcher has established a cross-Scottish Government evaluation group "to enhance the use of evaluation across Scottish Government policies." This work, she explains, is to

be used to develop learning and development for policy professionals in line with [Policy Profession Standards](#) (these standards set out the expectations of all civil service policy professionals across the UK). In her update of March 2024, the Cabinet Secretary explains that further to her previous responses “Scottish Government Policy Profession is introducing new resources for reflective learning and sharing as a direct response to the Committee’s report. These activities also support the use of evaluation to improve practice.” This will include recent policy practice from across the UK as well as case studies and will complement existing Scottish Government activity. Examples of reflective learning are provided such as COVID-19 Learning and Evaluation Oversight Group, Social Security Experience Panels and the Ukraine Warm Scottish Welcome Programme.

12. The Cabinet Secretary highlights the role of *In the Service of Scotland (ITSOS)* vision and values as providing an important basis for the kind of culture described in the Committee’s report.

Process

13. The Committee’s report highlights the importance of having a framework for decision-making which is based in reality and which sets out key characteristics or standards to support effective decision making and against which performance can be assessed. The Committee sought clarification from the PS on how he undertakes his role in providing strategic advice and how he evaluates advice from across the Scottish Government to identify areas for improvement.
14. Responding, the PS sets out how policy advice is evaluated to determine consistency with the Scottish approach to policy making and to identify any areas for improvement. This includes the role of the National Performance Framework (NPF) in underpinning decisions and framing policy making and services. The PS highlights the role of the Executive Team in considering advice on significant policy programmes and the “extensive clearance process “applied to cabinet papers. The PS set out the range of tools available which provide a foundation for a more systematic approach to policy development and advice¹⁴ all of which, he explains, are compatible with the tenets of the Christie Commission and the NPF. This work emphasises an outcome-based approach to government and evidence “and is reflected in the way we engage, gather, and utilise data and evidence”.
15. The PS also explained that he had, during 2022-23, sought improvements in performance reporting on outcomes. Going forward “regular performance reporting, and our Annual Performance Analysis for the Consolidated Accounts will be aligned to the three missions in the Policy prospectus.”
16. The Cabinet Secretary responded by highlighting how the Scottish Government is undertaking improvement work in relation to its corporate services to develop people and systems including through a focus on leadership development through its people strategy; its estates strategy, the Technology Roadmap and the HR and finance transformation programme. In assessing the advice from civil

¹⁴ Such as the Centre of Expertise for Business Cases, HMT Green Book, Scottish Public Finance Manual, Impact Assessment Framework, Better Regulation Framework.

servants, a range of matters including how policies are expected to deliver on the three missions (of equality, opportunity and community) are considered.

17. Incoming Ministers are also supported by their peers formally through the [Scottish Ministerial Code](#) and, for those appointed after March 2023, a new approach to inductions which encompasses briefings on the Code, on propriety and ethics emphasizing the role and value of transparency. Support for incoming Ministers also includes regular meetings with Ministerial peers and policy development support from officials and Ministerial peers. Feedback is being gathered on the induction approach, which will “contribute to adjustments and improvements for future appointments and we will consider how these learnings can be shared.”
18. Later in its report, the Committee also sought clarification of how the Scottish Government assesses the quality of its engagement across the different policy areas in Government to identify any areas for improvement. This followed stakeholder calls for a more systematic approach and for greater consistency in their experience of engagement with the Scottish Government.
19. In relation to how evidence is used in policy making, the Committee sought clarification of how inward secondments are used “to draw in additional resource and to provide staff with broader experience (including of policy implementation) and any plans to build on existing arrangements for both inward and outward secondments.” The PS responded that he had encouraged, and had expanded, the use of inward secondments as well as supporting academic secondments organised via the UKRI Policy Fellows Scheme.
20. In the Cabinet Secretary’s response, the role of the [Scottish Policy and Research Exchange](#) (sponsored with the Scottish Parliament and a number of Scottish Universities) in accessing relevant academic expertise was highlighted. She added that as part of the Policy Profession Project, policy standards will focus on increasing capability to use such bodies to obtain expert evidence and advice with the effectiveness of these arrangements being reviewed over the coming months. In her 2 November update, the Cabinet Secretary set out further information on the role of SPRE, confirming that its function is as a knowledge broker rather than providing research outputs per se. Post-covid, the Scottish Government is looking to rebuild engagement between academics and policy makers, for example through an in-person event in early 2024.
21. In the update of March 2024, the Cabinet Secretary highlights the role of the Policy Profession curriculum in promoting the Scottish Government’s expert support for effective engagement via the Participation Framework, a guide to good practice in participation work across Scottish Government. In addition to developing relationships with academics and work underway to consolidate and improve access to data, the Cabinet Secretary highlights ScotSCIENCE, a platform which provides support and co-ordinates key activity for science functions across Government.

People

22. In its report, the Committee explores the potential benefits of ‘churn’ in ‘generalist’ civil servants (such as providing opportunities to staff to gain a range of skills and experiences and promotion opportunities) as well as the potential negative impacts (such as loss of institutional memory, and the disruption in continuity of good advice to Ministers). The Committee acknowledged the recent development, within the civil service, of job families which it understood was aimed at enhancing capabilities and providing for career development but sought clarification of the extent to which this (and any other mechanisms) will address the negative impacts of churn.
23. In his response, the PS set out how the Scottish Government’s adoption of professions is in line with the emerging practice across the civil service. The profession classification along with a job family and job type will, the PS explains, be assigned to all jobs.
24. In his March 2024 update, the PS confirms that “As part of our new HR and Finance system (Oracle Cloud) all jobs are being classified into a profession and a related job family and job type.” As such, he notes that these measures have already been seen to reduce churn in some key areas. In addition, the Digital Recruitment Service has been implemented which has seen a significant increase in successful permanent recruitment and delivered considerable savings. The wider People Strategy and workforce planning have, he explains, also resulted in reductions in the total workforce size, with contingent workers “reducing by 29% to 1,436 contingent workers in December 2023, taking it below the pre-pandemic position in March 2020.”
25. In addition, the PS highlights progress in operationalising the [Civil Service Policy Profession Standards](#) to develop an enhanced learning offer and curriculum for the Scottish Government (available in Spring 2024), led by experts from across the organisation and its professions. The PS explains that the Policy Profession within Scottish Government is commissioning a new, comprehensive guidance on working with Ministers to improve decision-making. This is alongside new learning resources being developed with the Executive Team Strategic Governance Office to raise awareness of the corporate governance arrangements within the Scottish Government, and responsibilities within the formal Scheme of Delegation and Accountable Officer model.
26. The Committee agreed with witnesses that the relationships between Ministers and the civil service (and senior leaders in particular) are key to fostering a culture of full, frank and informed advice, robust challenge, and learning from mistakes. The Committee sought information from the PS on how he seeks to assure himself that his senior leaders are embodying the culture, skills and attitude needed to lead by example. In relation to the designation of Accountable Officer (which was cited as providing a greater confidence and assurance to provide challenge), the Committee invited the PS to consider whether there should be more explicit delegation of specific key policy development functions to SCS.

27. Responding, the PS sets out the range of ways he engages with the organisation and senior leaders in relation to development and professionalism. The performance of SCS is assessed on what has been achieved, and how, through regular conversations and performance reviews. The Scottish Government leadership framework sets out the expectations of Senior Leaders. In relation to the Committee's recommendation regarding potential widening of the Accountable Officer delegation, the PS cites the role of Schemes of Delegation as setting out the key policy development functions of SCS. In providing advice to Ministers, Directors work within the Accountable Officer responsibilities of their Director General, with this framework intended to ensure the explicit delegation of a range of responsibilities to senior civil servants. These delegations are reviewed each year and the PS confirms that "we would be happy to review the content of the letters issued in April 2024 to ensure any issues raised by the Committee in relation to SCS are considered."
28. In his March 2024 update, the PS explains that "We have recently reviewed our Director General Assurance processes to ensure they remain effective and fit for purpose; a pilot approach was trialled from late 2023, with the aim of supporting a more thematic and assurance-focused conversation on priorities." The refreshed approach is now being adopted as standard across Director General portfolios.
29. The PS identifies other approaches which supplement the above delegations including formal appointment of Senior Responsible Officers for major projects and programmes, scrutiny through the annual Certificates of Assurance process and the work of the Scottish Government Audit and Assurance Committee in areas such as risk management, the controls environment and people and performance related issues.
30. In her response to the Committee's report, the Cabinet Secretary highlights the role of *In the Service of Scotland* which sets out core ways to working "which have been shown to drive positive change effectively in the past". As an example, the DFM explains that "enabling a culture of continuous improvement" has been identified as one of five strategic priorities for the Scottish Government's corporate transformation work in 2023. Other examples include a regular focus on ways of working and in internal communications, as well as the annual *In the Service of Scotland* all-staff event. The Scottish Government corporate governance system "serves as an accountability framework and decision-making process that support resources allocation and the delivery of Scottish Government outcomes through performance reporting and review. This includes the Corporate Board which oversees the governance system and provides advice to the PS.
31. In her letter of March 2024, the Cabinet Secretary identifies other ways the Scottish Government has been making its *In the service of Scotland* values and vision a reality, including piloting approaches to delivery of LEAN Six Sigma¹⁵ training and internal staff networks. She adds that the recently formed Strategy,

¹⁵ **Lean Six Sigma** is a process improvement approach that uses a collaborative team effort to improve performance by systematically removing operational waste https://en.wikipedia.org/wiki/Lean_Six_Sigma and reducing process variation.

Performance, Delivery & Resilience Directorate is developing a strategic approach to support the delivery of outcomes, which is driving improvements across the organisation and through which the FM receives regular updates on progress with delivering the 3 missions.

32. In his March 2024 update, the PS sets out how the Risk Management Improvement Programme has “strengthened the processes for the identification, management, reporting and discussion of risk at Executive Team and Corporate Board. Corporate capability has also been strengthened with the introduction of mandatory risk management learning for all civil servants within the Scottish Government and through an annual assessment of risk management maturity. He reports that this, along with other actions, led Scottish Government Audit and Assurance Committee members to recently note that Scottish Government’s approach to risk management had improved in the last 18 months.

33. The PS also highlights more recent work such as—

- a. the [First Minister’s announcement in March 2024](#) that there is to be a review of Scottish Government’s use of mobile messaging apps and non-corporate devices which will also explore:
 - i. if updates are required to both the Ministerial Code and Scottish Civil Service Guidance with a particular focus on the government’s interaction with statutory Public Inquiries;
 - ii. whether the use of apps is relevant in a government setting and where and how relevant data should be stored and retained;
 - iii. the value of messaging apps to Ministers in emergency situations and draw on best practices used in other jurisdictions.
- b. The Information Commissioner recently launched a separate intervention into the Scottish Government’s handling of informal communications and steps taken to record key decisions and actions.
- c. The Scottish Government published its refreshed Freedom of Information (FOI) Improvement Plan in January 2024.
- d. The publication of [annual mandate letters](#) to Cabinet Secretaries from the First Minister;
- e. The publication of the annual performance report as part of the [Scottish Government’s Consolidated Accounts for the year ended 31 March 2023](#).

Standards

34. Whilst welcoming recent developments to enhance the capabilities of civil servants working for the Scottish Government, the Committee noted that there must also be a coherent and systematic way to assess the quality of decisions made. Based on the evidence the Committee received, it considered that oversight of, and accountability for, the quality of decision-making across the Scottish Government is an area that the Permanent Secretary should provide significantly greater focus. The Committee cited examples of how standards in decision-making can be set, sustained, assessed and improved, such as the

Future Generations Commissioner in Wales or through the New Zealand Policy Project.

35. The Committee also sought the views of the PS on whether there is now a need for a central unit or body to bring oversight across the Scottish Government and to ensure the continued professionalism of civil servants working for the Scottish Government.
36. The PS explained that “standards in policy making are supported by a range of initiatives- including the Civil Service Policy Professions standards”. He added that to improve capability across a range of policy-making skills (including providing advice), a new learning curriculum was being developed which would be aligned with the Policy Profession Standards. This is currently at its first stage and, the PS confirms that the Committee’s recommendations would provide useful insights to inform the next phase of work.
37. Concluding, the PS states that “with my senior team and through the work described here and elsewhere, I undertake to report back on the recommendations of the Committee at a suitable point.”

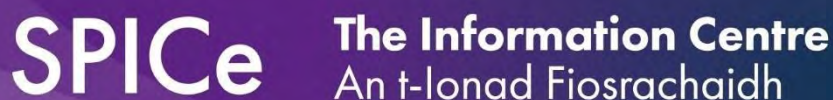
Financial Memorandums and framework bills

1. This session, the Committee has expressed concern about the quality of Financial Memorandums (FMs) provided by the Scottish Government and the accuracy of FMs which accompany co-designed Bills.
2. During its scrutiny of the FM for the Police (Ethics, Conduct and Scrutiny) (Scotland) Bill, the Committee raised concerns with the lead Committee for that Bill, with the Presiding Officer and with the Scottish Government, regarding the general quality and consistency of FMs provided by the Scottish Government. In response, the then Minister for Parliamentary Business wrote to the Committee on [18 April 2024](#), seeking clarification of the Committee's concerns. The Minister's letter included relevant extracts from the Scottish Government Bill Handbook, which was subsequently sent to the Committee in full. The handbook provides basic information on FMs and directs Bill teams to the [Scottish Public Finance Manual](#) (SPFM) for detailed guidance on their preparation and clearance.
3. Clerks reviewed the Committee's scrutiny of recent FMs, and the recommendations made, against guidance in the SPFM and identified that the guidance was not consistently applied by Bill teams. The Committee therefore responded to the Minister's letter on [25 June 2024](#), setting out where the guidance had not been consistently applied, alongside a number of suggestions regarding the presentation of FMs, updates and ongoing monitoring of costs¹⁶. In its letter, the Committee recommended that the guidance and questionnaire in the SPFM are both brought to the attention of Bill Teams and used consistently in the development of future FMs by the Scottish Government. The Committee further suggested that, where requested, updates on Bill costings are presented in a co-ordinated way annually, alongside the Scottish Government's Medium-Term Financial Strategy (MTFS).
4. The Minister responded to the Committee's letter on [26 July 2024](#) and a copy of this correspondence is attached at Annexe A. In his letter, the Minister sought to reassure the Committee that the SPFM and its associated guidance will be consistently applied in relation to the development of future FMs, and that the importance of this will be drawn to the attention of lead Ministers and Bill Teams.
5. The Minister further confirmed that the Bill Handbook and other guidance will be updated to reflect the recommendations summarised in the Committee's letter of 25 June and that his "expectation [is] that they will be given effect to". In addition, the SPFM will also be revised to emphasise that the Scottish Government should proactively write to the Committee as soon as it becomes aware of any

¹⁶ [Letter from the Convener to the Minister for Parliamentary Business of 25 June 2024](#)

significantly revised figures (including margins of uncertainty) for FMs during Stage 1 of a Bill's passage.

6. Lastly, the Minister noted the Committee's request that, where the Committee has asked for regular updates on expenditure on specific legislation, these updates be presented in a co-ordinated way annually, alongside the Scottish Government's MTFS, and confirms that this request will be brought to the attention of the Cabinet Secretary for Finance and Local Government for consideration.
7. Issues relating to the accuracy of FMs, particularly the financial risks which may arise when the co-design process takes place during (or after) a Bill's passage through Parliament, were also raised with the Permanent Secretary during the evidence session on Public Administration in Government on 21 May 2024. Following his appearance, the Permanent Secretary wrote to the Committee [18 June 2024](#) providing further information on these issues raised.
8. On [26 June 2024](#), the Committee requested "a response on how the Scottish Government assesses, manages and mitigates the risks that could additionally arise as a result of the FPAC (and Parliament) being unable to scrutinise the full estimated costs and savings of such co-designed Bills during their passage through Parliament".
9. The Permanent Secretary wrote to the Committee on [31 July 2024](#). In his response, the Permanent Secretary notes that "best estimates always involve a degree of uncertainty, and the Scottish Government therefore has to consider the risks and uncertainties that could arise in implementation of the policy of all of its Bills and where appropriate reflect uncertainty within associated estimates", highlighting "ongoing scrutiny and refinement of implementation costs as part of the Scottish Government's budget processes and internal governance".
10. His correspondence reinforced the commitments made in the letter from the Minister for Parliamentary Business, noting that material relevant to the issues raised by Committee would also be added to internal checklists of items which lead Ministers are asked to address ahead of a Bill's introduction to Parliament. The Permanent Secretary further committed to providing regular updates on cost estimates where these are requested in light of uncertainty linked to ongoing co-design of Bills. His letter states that, together with the measures highlighted in the Minister's letter, this constitutes "a pragmatic approach to mitigate the risks and uncertainties which may arise during the Committee's scrutiny of co-designed Bills".



Finance and Public Administration Committee
10th Meeting 2025 (Session 6)
Tuesday 18 March 2025

2023-24 Scottish Government Consolidated Accounts

Introduction

This paper provides background on the [Scottish Government Consolidated Accounts 2023-24](#) in support of a Committee evidence session with the Permanent Secretary, John-Paul Marks. It also draws on findings from the [Auditor General for Scotland's \(AGS\) audit of the 2023-24 Consolidated accounts](#).

The Consolidated Accounts cover:

- Nine portfolios of the Scottish Government
- Scottish Government administration
- Nine Executive Agencies
- NHS bodies and the Mental Welfare Commission
- Crown Office and Procurator Fiscal Service

The Consolidated Accounts contain 9 reports:

- The **performance report**, which sets out the structure of the Scottish Government (both Ministers and Cabinet Secretaries, and the senior civil servants). It provides a high-level overview of outturn against the Scottish Budget, sources of funding including borrowing, and assets held by the Scottish Government, and measures performance against the National Performance Framework.
- The **accountability report**, which sets out the governance structure of the Scottish Government and separate accounting entities.
- The independent **report of the Auditor General of Scotland** giving his opinion on the Consolidated Accounts.
- Summaries of the **outturn reports** for resource and capital spending, split by portfolio.
- The **consolidated statement of comprehensive net expenditure and changes in taxpayers equity**.
- **Consolidated statement of cash flows**.

- **Consolidated statement of financial position.**
- **Notes to the accounts**, which provide detail on the definitions and accounting methodology, and some additional data on segments.

The Consolidated Accounts cover around 90 per cent of the budget approved by the Scottish Parliament. The budget approved by Parliament also includes some bodies not covered by the Consolidated Accounts:

- Directly funded bodies (SPCB and Audit Scotland)
- Non-ministerial offices (Consumer Scotland, Environmental Standards Scotland, Scottish Fiscal Commission, National Records of Scotland, Registers of Scotland, Scottish Courts and Tribunal Service, Office of the Scottish Charity Regulator, Revenue Scotland, Food Standards Scotland and the Scottish Housing Regulator)
- Pension Schemes (NHS Scotland Pensions Scheme and Scottish Teachers' Pension Scheme).

The AGS's report is presented under four broad headings:

- Financial management
- Financial sustainability
- Financial and performance reporting
- Governance

This paper presents issues for potential further discussion under the same headings.

Financial management

Underspend on the 2023-24 Budget

The Consolidated Accounts show that total net expenditure during 2023-24 was £53,980 million, an underspend of £277 million (0.5 per cent of the budget). The Resource budget was underspent by £193 million (0.4 per cent the Resource budget) against a budget of £51,766 million. Capital was underspent by £84 million (3.4 per cent of the Capital budget) against a budget of £2,491 million. In 2022-23, the total underspend was £509 million, an underspend of 1 per cent.

Under the devolution settlement, the Scottish Government operates within a fixed budget and is not allowed to overspend in any given year. The ability to carry forward underspends by adding them to the Scotland Reserve means that resource can be carried forward and used in future years. The amount that can be held in the Scotland Reserve is capped at £700 million. The £700 million cap has been increased by inflation under [the terms of the revised Fiscal Framework](#) (the [Treasury's GDP deflator will be the inflation measure](#) used for setting the increase).

Page 102 of the Consolidated Accounts sets out the underspends in 2023-24 by portfolio area, split by Resource and Capital outturn. The highest underspends were

in the Transport, Net Zero and Just Transition portfolio (£148 million underspend), Education and Skills (£109 million underspend), Rural Affairs, Land Reform and Islands (£74 million underspend). These were partly offset by some overspends, the most significant of which was £64 million in the NHS Recovery, Health and Social Care portfolio.

Almost all portfolios reported Capital underspends, with three exceptions¹. Of the capital underspends, the most significant was £60 million in the Transport, Net Zero and Just Transition portfolio, which is equivalent to 10.7 per cent of that budget. £38 million of this underspend relates to Transport Scotland, and the Consolidated Accounts note that:

“There was an underspend due to a lower than budgeted drawdown on Voted Loans of £15m. There was also an underspend of £23m on roads capital expenditure due to the reclassification of project spend to resource from capital expenditure in relation to Bridge Strengthening and Structural Repairs work.”

Social Security Scotland

The annual accounts of Social Security Scotland have had an audit qualification each year since 2018-19. This is in respect of the regularity of an estimated level of overpayments attributable to fraud and error in benefits administered by the Department of Works and Pensions (DWP).

The 2023-24 annual accounts of Social Security Scotland include total benefit expenditure of £5,163 million of which £3,238 million (63 per cent) was administered by the Department for Work and Pensions (DWP) under an agency agreement with Scottish Ministers. Due to these delivery arrangements, Social Security Scotland cannot directly assess the levels of fraud and error in these benefits and is instead reliant on the DWP's annually published estimates.

The estimated overpayments as a result of fraud and error in the benefits delivered by the DWP, ranged from 0.4 to 5.2 per cent of expenditure. Audit Scotland's report states that this means an estimated £42.4 million of overpayments were made in Scotland. This has reduced from £60.7 million last year. By the end of 2025-26, it is anticipated that the administration of all devolved benefits will have transferred from the DWP to Social Security Scotland.

The AGS noted in his report that the external auditor of Social Security Scotland has:

¹ Deputy First Minister and Finance reported a capital overspend of £24 million, NHS Recovery, Health and Social Care reported an overspend of £6 million, while Rural Affairs, Land Reform and Islands reported no variance against budget. The Deputy First Minister and Finance overspend was due to anticipated income from the regeneration scheme being delayed due to the reprofiling of repayments, while the NHS Recovery, Health and Social care was due to higher than anticipated capital requirements for NHS Right of Use Assets recognised under IFRS 16 Leases.

“qualified their regularity opinion as these overpayments were not incurred in accordance with relevant legislation and regulations.”

This qualified audit opinion on the Social Security accounts requires the AGS to assess the potential impact of Social Security Scotland’s inclusions within the Scottish Government Consolidated Accounts. The AGS states in his report that:

“As in previous years, I concluded that the likely amount of error and fraud incurred is not significant enough to influence the economic decisions of the users of the Consolidated Accounts and therefore I have not qualified my opinion in respect of this matter.”

Public sector holdings and debts

The Consolidated Statement of Financial Position (page 119 of Consolidated accounts) is one of the primary financial statements in the Consolidated Accounts. It summarises what is owned and owed by the core Scottish Government and those public bodies within the consolidated boundary. This shows taxpayers' equity – an accounting measurement of the amount of taxpayers' money applied that has continuing public benefit.

It is important to note that this position does not reflect all the assets and liabilities of the Scottish public sector. These accounts do not include resource and capital borrowing, local government assets and liabilities and all public sector pension assets and liabilities.

The AGS noted in his report that the Scottish Government made a commitment to produce a consolidated account to cover the devolved public sector in Scotland. He further noted that:

“I am pleased to report that progress has been made during 2023-24 in collating financial information across the Scottish public sector.”

Members may wish an update on the latest progress regarding the production of a consolidated account covering the devolved public sector in Scotland.

Scottish Government investments in private enterprises

During 2022-23 the Strategic Commercial Assets Division (SCAD) was formed with the purpose of consolidating expertise and increasing capacity to respond in cases arising where companies require support or intervention from the Scottish Government.

The Public Audit Committee held an evidence session with the [Scottish Government’s Director General Economy on 30 May 2024 to explore the Strategic Commercial Assets Division \(SCAD\)](#), which has been established to manage the Scottish Government investments in private enterprises. Key points raised in this session include:

- There are around 40 staff employed in SCAD, based in several locations.

- SCAD make use of consultants to support due diligence or provide technical or legal advice. Spend on consultants in 2023-24 was £1.6 million.
- SCAD do not tend to engage in proactive horizon scanning to identify opportunities for investment: SCAD could be asked to provide support where a request [satisfies the Scottish Government's business investment framework](#).
- Business in distress can mean financial underperformance or liquidity problems but could also mean a strategic decision to exit a particular asset or market.
- Witnesses discussed the type of guarantees that the Scottish Government might seek in relation to the sale of Prestwick Airport, to secure its local economic contribution if the airport returns to the private sector. Witnesses noted that expressions of interest have been turned down in the past where there was concern that it did not present a sustainable model for the future of the airport.
- Members asked about the potential conflict of interest due to one of the bids for the airport being led by the former chairman of the board. Commercial and legal advisers support the Scottish Government with the sales process to ensure it is a level playing field.
- A decision on future investment in the Fergusons Marine yard had not yet been taken but is expected 'soon'.

On 5 June the Public Audit Committee [wrote to the Scottish Government to request some additional details following the evidence session](#), including details on the operating costs of SCAD, the guarantee provided to Lochaber Smelter, due diligence undertaken, and promised investment in the Lochaber site by GFG Alliance.

The AGS notes in his report that:

“SCAD has developed a range of guidance covering areas such as restructuring and insolvency and due diligence checklists. All these strands will be included within a ‘playbook’, a repository for guidance across possible phases of the interventions lifecycle. I welcome the fact that a monitoring framework is in development to report on the performance of each asset utilising industry specific indicators.”

The consolidated accounts provide the latest position with respect to the total expenditure on each investment and the accounting value:

- **Prestwick airport** - £3 million costs incurred in 2023-24, increase in value of £9.6 million due to a change in assumptions about loan recoverability. The total £55.5 million SG investment is now valued at £21.2 million.
- **Ferguson Marine Port Glasgow Holdings** – costs of £67.2 million were incurred in 2023-24, taking total investment to £304.7 million. Value in the Consolidated Accounts increased by £12 million to £94.6 million.
- **Lochaber Smelter** – no costs in 2023-24, value of provision decreased by £5 million to £130 million.

- **Burrtisland Fabrications** remain valued at 0 in consolidated accounts, AGS note that SG continue to pursue a return through the administration process.

In [recent correspondence to the Public Audit Committee](#), the Director-General Economy provided an update on the review of the approach to transparency regarding the Scottish Government's portfolio of commercial assets managed by SCAD, with a focus on Glasgow Prestwick Airport and Ferguson Marine Port Glasgow. A timeline for completion of the review has not yet been published.

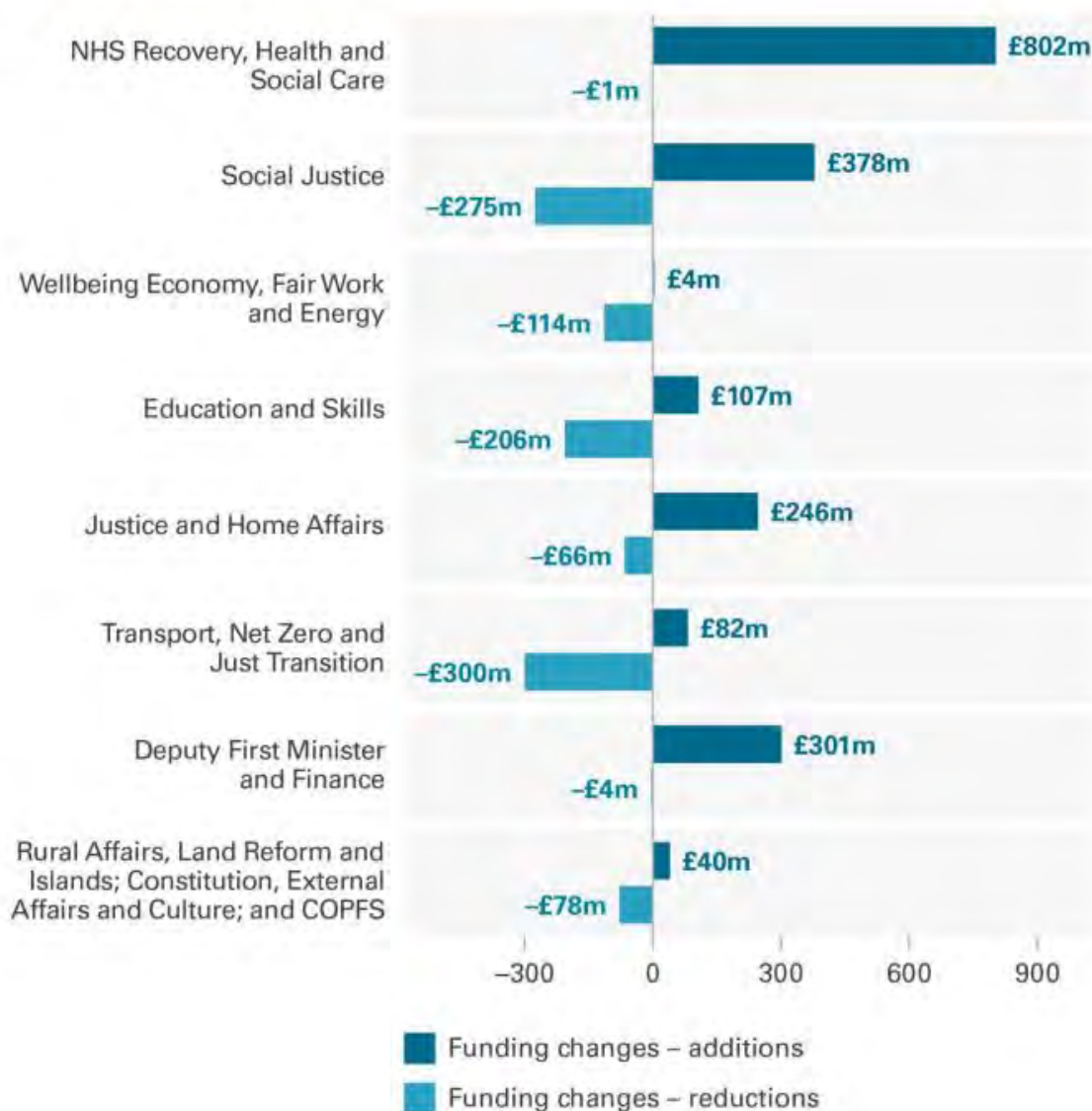
In year financial pressures

The AGS notes that in addition to the spring and autumn budget revisions, which decreased the Scottish Government's budget in 2023-24 by a total of £1.19 billion, the Deputy First Minister advised Parliament that additional costs had arisen and a range of savings were required to balance the Scottish Government budget. Many of these were included within the ABR and SBR. The main pressures arising were public sector pay deals and on cost of living due to inflationary pressures. The AGS report notes that the funding challenge in 2023-24 was 'lower than in 2022-23 when two emergency budget reviews were undertaken'.

In Exhibit 3, page 11 of his report (reproduced below), the AGS highlights the funding adjustments to each portfolio, and notes that:

"The main provider of funding was Transport, Net Zero and Just Transition, and Education and Skills. The reduction in these portfolios is a reaction to addressing the immediate funding pressures without clear consideration of the potential impact on key priorities of the Scottish Government."

Exhibit 3
Scottish Government 2023/24 budget changes



Source: Audit Scotland analysis of ABR and SBR

Financial sustainability

Financial outlook

The AGS highlighted in his report that the Scottish Government has again taken action to address funding pressures in year, following the emergency budget reviews of 2022-23 and 2023-24. In August 2024, emergency spending controls were introduced whereby only expenditure which was essential or unavoidable could be undertaken. In addition, all discretionary expenditure was stopped. Recruitment other than for frontline or critical workers was paused.

In September 2024, a range of further measures were announced to achieve a balanced outturn, including ending the off-peak fares pilot, means testing the winter fuel payment, and utilising Scotwind revenues.

The AGS notes that:

“The majority of the savings continue to be non-recurring in nature but are being used to fund recurring expenditure. The Scottish Government recognises that further work is required to ensure a credible path to balance is maintained. Financial management has been a core element of the assurance and governance arrangements with the budget being closely managed.”

Members will be aware that the financial outlook for 2024-25 and 2025-26 has changed since the 2023-24 consolidated accounts and the AGS report were finalised. Decisions taken by the [UK Government in the Autumn Budget added £1.5 billion in funding for 2024-25](#), and around £1.9 billion additional to the 2024-25 baseline in 2025-26 Scottish Budget (£1.5bn + £1.9 billion = £3.4 billion).

Borrowing

Up to and including 2023-24, [the Scottish Government could borrow up to £450 million each year for capital purposes](#), subject to a cumulative limit of £3 billion, and up to £600 million each year for resource borrowing, subject to a cumulative limit of £1.75 billion. In May 2024, the Scotland Act 1998 (Increase of Borrowing Limits) Order raised these borrowing limits for 2024-25, increasing the overall cap on capital borrowing to £3.05 billion and resource borrowing to £1.78 billion. The annual borrowing limits were also increased to £458 million for capital and £611 million for resource.

In 2023-24, the Scottish Government borrowed £300 million to support the overall capital programme, less than the £450 million that was outlined by Scottish Ministers in the budget. The loans will be repaid to the National Loans Fund over ten years, in line with the timescales outlined in the [Fiscal Framework](#)².

In 2023-24, the Scottish Government borrowed to fund resource expenditure, as it has done in the previous three years. During the year it borrowed £104 million from the National Loans Fund to be repaid over five years. The resource borrowing was £63 million greater than budgeted.

The AGS report sets out how the outstanding stock of borrowing has grown since 2017-18, and the report notes that:

“Due to the accumulation of annual borrowing in recent years, loan repayments are increasing and totalled £217 million in 2023-24 (£160 million in 2022-23). Any increase in borrowing, particularly resource borrowing which

² The Fiscal Frameworks states that any loans will normally be of a ten year term, but that there is flexibility to agree longer or shorter terms for the lending to match the life of the assets being purchased.

is repaid over a shorter period and with higher interest rates, will still fall to be met alongside all other financial pressures.”

Public sector reform

Both the [Resource Spending Review in May 2022](#) and the [Medium-Term Financial Strategy in May 2023](#)³ set out public service reform as an essential tool to provide effective service delivery, reduce duplication and reduce costs. The Scottish Government has set out a ten-year programme of public service reform overseen by the Director-General Communities.

In his report, the AGS highlights the increasing importance of public sector reform:

“In addition to significant pressures on public finances, the use of nonrecurring savings to fund recurring expenditure has further exacerbated the problem and the need to reform public services is crucial to achieving a sustainable future. While there have been some changes to the funding and delivery of public services there is, as yet, no clear plan for what reform will achieve or the associated timescale.”

“As highlighted in my report ‘The Scottish Government’s Workforce Challenges’ (October 2023), pay costs for NHS, central government, police and fire services, and further education were £13.4 billion in 2021-22. With recent pay deals exceeding the Scottish Government’s public sector pay policy, £1.7 billion more than initially planned was agreed in pay deals for 2022-23 and 2023-24. These rises are locked into future budgets and are making it harder for the Scottish Government to manage pay costs over time.”

“Since devolution, the Scottish Budget and workforce numbers have grown significantly. The Scottish Government’s projections suggest that it cannot afford to pay for public services in their current form. Reform is urgently needed to address budget shortfalls of more than £1 billion over the coming years.”

On 23 September 2024 the [Minister for Public Finance wrote to the Finance and Public Administration Committee and this committee with an update on the progress of the public sector reform programme](#). This update set out the aims and scope of the programme, noting that the 3 year programme has completed 4 of the 33 actions. In the [debate on fiscal sustainability on Tuesday 30 October](#), the Cabinet Secretary for Finance stated that:

“I am clear that our public sector workforce will need to change size and shape. Members will be aware of the emergency spending controls that we

³ Medium Term Financial Strategies are expected to be updated annually, but the Scottish Government did not produce a 2024 update due to the uncertainty around the UK election. A new strategy is expected to follow the UK spending review in Spring 2025.

have enacted this year, including a freeze on recruitment. I will set out more detail on our approach to the public sector workforce in the 2025-26 budget.”

On 21 December, the Minister for Public Finance [wrote to the Committee with an update on progress with the Scottish Government’s public service reform programme](#), and noted that he “will engage with public sector leaders at a PSR summit by end of February 2025.”

In its [Budget 2025-26 report](#), the Committee concluded that the “Scottish Government needs to demonstrate stronger leadership and bring an overall vision to the Public Service Reform Programme, for real progress to be made, including in relation to changing models for public service delivery.”

Governance

A Governance statement by the Permanent Secretary is a key feature of the Consolidated Accounts (see pages 57-75). The AGS report notes that a review of governance arrangements was undertaken by the Scottish Government in 2023-24 and findings are being implemented. Areas raised in the AGS report are as follows.

Due diligence of MV Glen Rosa

In the report on the 2022-23 Consolidated Accounts, the AGS noted that appropriate processes were followed when assessing the value for money of MV Glen Sannox and MV Glen Rosa. However, since then the cost of completing both vessels has continued to rise but now seems to have stabilised at £299.1 million. The previous due diligence exercise was based on a total cost of completion for both vessels of £203 million.

In March 2024, the Cabinet Secretary for Wellbeing Economy, Net Zero and Energy advised Parliament that due diligence had commenced to ensure the increased costs were accurate and justifiable. The AGS notes that:

“Although a review of the cost projections has been completed, it is disappointing that the accompanying value for money assessment has not been updated. To satisfy the requirements of the Scottish Public Finance Manual this should be concluded as a matter of urgency. Its absence means that the Accountable Officer, Ministers and the Scottish Parliament cannot be assured that the £96 million increase in expenditure on the vessels represents value for the taxpayer.”

Sponsorship arrangements

In his report, the AGS notes that the Scottish Government had implemented the recommendations set out in the independent review of its relationships with public bodies. While the recommendations had been implemented, the AGS suggested that it would take time for the Scottish Government to demonstrate the impact of these actions including the necessary cultural and behavioural change.

In December 2023, the AGS drew Parliament's attention to significant weaknesses in the governance and financial management arrangements within the Water Industry Commission for Scotland (WICS) including concerns around the achievement of value for money in the use of public funds.

The Scottish Government has responded by initiating an independent review of WICS together with an internal review of the sponsorship arrangements in place. Alongside this, over summer 2024, each Director-General completed a "deep dive" into the sponsorship arrangements within their portfolios.

The AGS noted in his report that:

"It is critical that the quality and consistency of sponsorship arrangements within the Scottish Government is improved. I have asked the audit team to continue to monitor the action taken and advise me of any concerns."

Oracle Cloud

Oracle Cloud is the new HR and Finance system used by the Scottish Government. The Consolidated accounts note that this "replaces decades-old systems and will sit at the heart of our new corporate shared services offering to over 20,000 staff in Scottish Government core and over 30 public bodies."

In December 2023 the Scottish Government decided to delay implementation as they could not see a clear and safe path to implement on that timeline. Plans moved from 1 April 2024 to an October 2024 go-live. To support this, the project team spent time assessing organisational readiness, both within the Scottish Government and in the other public sector bodies.

The AGS noted that project implementation costs are currently estimated to be £66 million up from £22 million at the start of the project in April 2022. The Scottish Government is anticipating a VAT recovery of £7.6 million, which would reduce the project cost to £58 million. The increased cost can be attributed to a combination of an underestimation of the scale and complexity of the programme and associated restated timelines. Each month of delay has resulted in an additional cost of £3 million to maintain the legacy systems.

The system went live in October 2024. The AGS noted that:

"however successful implementation is more than just the new system being in place. It requires each of the bodies to be accessing and using better data to support decision making, delivering efficiencies and improving cyber security arrangements. I have asked the audit team to monitor and assess the planned post implementation review. I will report on the implementation of Oracle Cloud during 2025."

Performance reporting

The performance overview section sets out the National Performance Framework (NPF) together with progress towards the eleven National Outcomes. Eighty-one national performance indicators have been assessed with 21 improving, 35 maintaining, and 14 worsening. No performance was reported against 11 indicators as they were either in development (6) or the data could not be calculated due to changes in the methodology (5).

The performance analysis section has been redesigned to focus on the three missions set out in the [Policy Prospectus](#) and sets out actions taken during the year to deliver on them. The AGS notes that:

“This is a welcome change to the narrative from prior years where the analysis tended to focus on the performance of Director-General portfolios. The narrative provides the reader with a range of performance detail set against the missions together with some trend information.

While we recognise improvements have been made to the reporting in 2023-24, the performance report needs to be more transparent with a golden thread linking all aspects of performance and providing an overall view of progress. Without clear targets against which activity can be measured, it remains difficult to form an overall picture of the performance of the Scottish Government.”

The AGS report notes that there are also several major programmes currently being progressed by the Scottish Government with individual objectives, targets and policies. The AGS states that:

“Aligning funding to priorities is essential for effective decision making. The continuing revisions and development of policy, limits the ability to be transparent, provide continuity and report achievement across the key priorities. There is an absence of clearly defined performance measures with measurable targets for all priority areas.”

The revision of the NPF has progressed throughout 2024. The AGS states in his report that it is critical that the agreed National Outcomes are supported by measurable indicators which can demonstrate the progress being made over the associated timescales. The AGS further states that:

“It is unacceptable that six indicators for the previous NPF remain in development.”

Ross Burnside, Senior Researcher, Financial Scrutiny Unit (FSU)

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The Scottish Parliament, Edinburgh, EH99 1SP www.parliament.scot

Scottish Government's response to Session 5 Harassment Reviews

Background

1. A key focus of the Committee's previous annual evidence sessions in 2022 and 2023 was scrutiny of progress against the Scottish Government's response to the three harassment reviews that took place in late Session 5.
2. The Scottish Government's response focused on three broad areas of improvement:
 - rebuilding confidence in its complaints process,
 - improving the robustness of, and compliance with, its document management and storage processes, and
 - improving the effectiveness of its internal arrangements for managing issues involving propriety and ethics.
3. This response led to:
 - a. an updated process for civil servants making a complaint about a Minister or former Minister including the publication, every 6 months, of the number of ongoing cases, and
 - b. an [Implementation Plan of actions \(to be completed by 2021\) and a Continuous Improvement Plan](#) (which set out a further set of measures for reporting on by the end of 2022).
4. The Committee also took evidence from the former Deputy First Minister, John Swinney MSP, on the Scottish Government's quarterly updates to the Committee on the progress against the actions in the Scottish Government's Implementation Plan and Continuous Improvement Programme (CIP) and updated complaints process.
5. On [14 February 2023](#), the Scottish Government wrote to the Committee explaining that "We consider that the CIP has now completed its activities and has embedded ownership and responsibility for the supporting actions in establishing the culture and behaviours we wish to see in the areas identified for improvement." It therefore proposed to absorb those activities into ongoing work in the organisations rather than through another iteration of the programme. The measures of the success of the CIP will be through the UK Civil Service People Survey (the [most recent](#) of which is for 2023 and was published on 24 February 2024). Subsequent analysis by the Propriety and Ethics Team will ensure appropriate action is taken to improve the scores.
6. On [23 February 2023](#), the Committee wrote to the former Deputy First Minister and confirmed that this quarterly reporting was no longer necessary as those activities had been completed. Instead, the Committee sought an annual update

on how the complaints process and new measures for information management, record-keeping and cultural change are bedding in, with a view to exploring this update in its annual evidence sessions with the Permanent Secretary in May each year. The former DFM noted this request in his response on [20 March 2023](#).