Finance and Public Administration Committee

Inquiry into the Scottish Government's Public Service Reform programme: summary of written evidence

Introduction

The Committee issued a call for views (CfV) on 6 March 2023 to hear from Scottish public service organisations on their plans for reform; and from other organisations and individuals with a view on how the reform programme is working in practice and how it is delivering effective and efficient services. The CfV closed on 1 May 2023.

The CfV aimed at public bodies asked 12 questions, and the CfV aimed at other organisations and individuals asked two questions. The full list can be found in the annexe to this paper.

A total of 32 responses were received, comprising [21 from public bodies](#)[1], [eight from other organisations, and three from individuals](#)[2]. This paper summarises these responses and draws out key themes. Relevant CfV questions are listed under each theme headline.

Respondents and the scope of Public Service Reform

The public service reform programme (PSRP), as outlined in [the Resource Spending Review](#) (RSR) and later statements made by the then Deputy First Minister on [10 January 2023](#), is not equally applicable to all public sector organisations that responded to the CfV. The character of their formal relationship with the Scottish Government (if one exists at all) and a framework within which they operate differs significantly. Respondents were of the following [organisation types](#):

- **Non-ministerial offices:** Food Standards Scotland, Registers of Scotland, and Revenue Scotland

- **Executive non-departmental public bodies:** Scottish Legal Complaints Commission, NatureScot, Scottish Futures Trust, VisitScotland, Scottish Enterprise, South of Scotland Enterprise Agency, Scottish Canals, and Highlands and Islands Enterprise

- **Advisory non-departmental public bodies:** Poverty and Inequality Commission for Scotland

- **Health bodies:** NHS Ayrshire & Arran

- **Commissioners and ombudsmen:** Scottish Biometrics Commissioner

- **Public corporations:** Crown Estate Scotland

- **Other significant national bodies and public sector organisations:** Audit Scotland, Scottish Delivery Bodies Group, Argyll and Bute Integration Joint Board, and COSLA

- **Local Authorities:** Comhairle nan Eilean Siar, Highland Council, and East Ayrshire Council

There were no responses from Executive Agencies (e.g., Education Scotland, Scottish Prison Service, or Transport Scotland) which have the closest relationship with the Scottish Government. The organisations that did respond have relatively loose relationships with the Government, or are fully independent of it (e.g., Scottish Biometrics Commissioner), and therefore some questions were not applicable to them. Despite this, the Scottish Government can and does have an impact on all of respondents either by setting budgets (e.g., in the case of non-departmental public bodies), appointing board members and agreeing corporate plans, or by providing

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[1] 20 organisations self-identified as public bodies in their answers, however, five of them (the three Local Councils, COSLA, Scottish Delivery Bodies Group, and Argyll & Bute Integration Joint Board) are not classified as such by [the Scottish Government's definition of a public body](#). All 20 fit under the label of 'public sector organisations.'

[2] Two of which were submitted under the same name.

strategic leadership and its ability to initiate structural reform. Thus, all submissions can provide the Committee with general insights into the Scottish public sector and the potential for reform.

Five priority areas of PSR

Questions 5, 9, and 11

The RSR identified five priority areas of reform: digitalisation, reform of the public sector estate, maximising revenue through public sector innovation, improving public procurement, and reform of the public body landscape.

Digitalisation

All public sector respondents listed their finalised, ongoing, and planned digitalisation initiatives along with the expected benefits that they are hoped to bring. **East Ayrshire Council** cited its Digital Strategy that aims to:

> "[…] reimagine our public services and digital infrastructures; to deliver data driven digital services which are innovative, accessible, adaptable and customer-centric; to be better integrated and better connected; providing better outcomes for everyone within a thriving digital workforce, economy and community."

Similar broad benefits are identified in all other submissions. However, responses generally lacked: details on digitalisation indicators or objectives and the progress towards them, assessments of what is and what is not digitalised (except for the **Scottish Biometrics Commissioner** which is "fully digitalised"), and attempts at quantifying potential efficiency gains. Therefore, submissions do not provide the Committee with an evaluation of where the Scottish public sector, or even each organisation, is on its digitalisation journey. Below are some of the key initiatives and points raised by respondents.

A number of organisations mentioned their move to the Cloud, away from local IT servers and infrastructure. **VisitScotland**, for example, is completing its initiatives in this area and will decommission its data centre this year and end the use of an external data centre within the next two years.

The potential of data-sharing and common IT infrastructure was also highlighted by several respondents including **VisitScotland**, **Food Standards Scotland, NatureScot**, **Scottish Canals**, and **Mydex**, a personal data logistics infrastructure provider. All stated that strategic leadership from the Scottish Government would be helpful in this area.

Food Standards Scotland is also developing in-house digital solutions and actively working with the Scottish Government Digital Directorate on a number of projects, including exploring the use of common systems platforms and user-centric applications benchmarked against [Digital Scotland Service Standard](#).

East Ayrshire Council stated that since the beginning of the pandemic, its payments portfolio is fully digital and that it receives approximately 43 per cent of customer contact via its online self-service platform. It hopes to increase self-service customer contact to 65 per cent by 2024.

In this context of progressing digitalisation, **Scottish Legal Complaints Commission** and **Audit Scotland** highlighted the importance of remaining aware and addressing digital exclusion.

Reform of the public sector estate

All respondents highlighted that the pandemic and popularisation of hybrid working significantly accelerated reform initiatives in this area. All but the smallest organisations have already reduced or are in the process of reducing their office space, or are reviewing their estate. Previous or planned co-location, which can offer several economies of scale including shared reception facilities, meeting rooms, facilities management, etc, was also mentioned in nearly all submissions. However, respondents generally did not provide detail on the extent of efficient use of its properties and opportunities for further efficiency gains. Instead, they presented their past efforts to optimise its estate and stated their commitments to future works in this area.

Scottish Futures Trust, **Food Standards Scotland**, **Scottish Biometrics Commissioner**, and **Registers of Scotland** co-locate in all of their premises, and **Scottish Enterprise**, **Highlands and Islands Enterprise**, **Scottish Canals** and **VisitScotland** indicated that they share some of their premises with other organisations.

Highlands Council said:

> "The sheer size of the Council's estate and asset base is unsustainable, particularly in relation to the journey to net zero. For example, the Council's School estate has 58 primary schools and 11 secondary schools which have been given a poor condition rating. It would therefore be helpful if the Scottish Government could provide further guidance and assistance that takes a whole estate approach including the school and council housing estate."

COSLA indicated that there is the potential for over-estimating the savings that can be made through estate rationalisation – cuts to premises may lead to higher costs and other negative impacts elsewhere, for example as a result of reduced access to services. Similar points were raised by the **Scottish Trades Union Congress** (STUC) which argued that:

> "Scaling down of public sector estate may run in contradiction to the Scottish Government's community wealth building aspirations which are about maximising existing assets of anchor institutions, including through insourcing, rather than outsourcing assets to multinational companies."

Maximising revenue through public sector innovation

Respondents differed in their interpretations of what falls under the above reform area. A number of organisations indicated that they do not consider it to be relevant to them, especially when it was understood to strictly relate to revenue generation. Some understood it more broadly – even when they do not raise revenue, they commented on their commitment to minimise costs. As in other sections, respondents commented much more extensively on what has already been done instead of future reform plans.

Crown Estate Scotland outline of possible reform initiatives included diversification of assets, innovative investment, including investing abroad, and engaging in public-private partnerships.

Smaller initiatives were also mentioned by **Argyll and Bute Integration Joint Board** and **Comhairle nan Eilean Siar**. The former mentioned two options under consideration – generation of renewable energy with the estate and raising revenue from the rollout of electric vehicles and their charging infrastructure. The latter highlighted its introduction of smart card technology at museums to increase revenue through voluntary contributions.

Highland Council's response focused primarily on a number of opportunities for increasing revenue through visitor levy or taxation that could be devolved to local authorities, including council tax and full devolution of non-domestic rates to councils.

Commenting on seeking cost-savings more generally, **COSLA** and **Comhairle nan Eilean Siar** said that all 'lower-impact' savings have long been made by local authorities and any further cuts to funding will have a negative impact on services and jobs.

Improving public procurement

Joint or coordinated procurement programmes were highlighted by several organisations as having the potential to deliver further efficiencies for their organisation and the public sector as a whole. **Scottish Futures Trust** said that its hub programme provides a route for local public sector organisations to access the market and jointly plan and deliver community infrastructure. The programme offers further efficiency potential if more organisations were to join it. **VisitScotland** highlighted that shared procurement programmes have the potential to offer savings especially when it comes to staff learning and development programmes. Framework or shared procurements are currently used by **Highlands and Islands Enterprise** and **NHS Ayrshire & Arran** is utilising the Procurement Contract Scotland portal, which allows it to access a wider supplier group and increasing competition.

Voicing its concerns related to public procurement **Argyll & Bute Integration Joint Board** said:

> "Recent developments in this area have tended to complicate procurement processes. They have also resulted in an increased reliance on procurement professionals (now difficult to recruit), even for relatively minor and

straightforward procurements. There are also instances where public procurement processes can make it difficult for smaller and local suppliers to access contracts.

Perhaps the focus has shifted too far towards regulation of almost all procurement, including relatively low risk and low value procurement while there remain on-going problems with cost over-runs, delays and risk transfer with larger scale, complex and high risk procurement process. Introducing additional gateway review processes may be helpful but also result in additional business case development costs and very lengthy lead in times for getting projects approved."

Reform of the public body landscape

Questions 5 and 9

All public sector respondents expressed openness to collaborative working and partnerships. However, there seems to be a lack of clarity around the work on joint service reform plans that some public bodies are to submit to the Scottish Government later this year. Some organisations indicated that they are leading on or are involved in the work on these plans even though it is unlikely or unclear that they received a request from the Scottish Government to do so (considering that they are not accountable to or funded by the Government). Other respondents, who in all likelihood should have received this request, did not provide a direct indication of their involvement in this specific piece of work. In light of the lack of detail in the submissions received, the Committee might wish to ask the Scottish Government to clarify which public bodies are expected to submit the plans.

A number of respondents are actively taking part in **Scottish Delivery Bodies Group**'s (SDBG) Shared Services Feasibility Review which investigates options for more effective delivery of shared services and for formalising and expanding various bilateral arrangements that are already in place. It has recently provided a report of its conclusions to the Scottish Government. However, SPICe was unable to locate it as SDBG does not seem to have substantial online presence. The Committee may wish to request a copy of this report given its relevance to the inquiry.

Specific examples of shared services already in place include **Scottish Biometrics Commissioner** and Scottish Public Services Ombudsman shared HR, financial processing, ICT support, facilities management, and Health and Safety. All enterprise agencies are also sharing their IT systems and internal audit function.

Enterprise agencies are also developing an aligned, collaborative strategy encompassing the Scottish Government, Skills Development Scotland, Scottish Development International, and VisitScotland. All of which (except for the Scottish Funding Council) along with Creative Scotland, COSLA, Business Gateway National Unit, and Scottish Local Authorities Economic Development Group are also engaged in collaborative product and service development, promotion, and delivery via the Business Support Partnership.

Registers of Scotland pointed out the potential for efficiency gains related to archiving documents when working with National Records of Scotland that will be made available by the continued move to digital formats.

NatureScot argued that:

> "[Smaller organisations have to deal with] the proportionately higher administrative overhead to deliver on generic expectations on public bodies e.g. reporting duties (equality, climate) Fair Work requirements, Social Impact Pledges, and other good practice arrangements. The smaller the organisation the harder it is to resource or implement these in a meaningful way. A greater degree of collaboration coupled with SG leadership in this area could bring benefits."

Some respondents made comments that related to broader public landscape reform. **Scottish Legal Complaints Commission** voiced its support for the implementation of recommendations coming from the Robertson Review which centred on streamlining and simplifying the regulatory landscape of legal services, including reducing the number of statutory bodies involved in the system. It notes that the Scottish Government's response to the review and current plans for forthcoming legislation, do not take forward this proposal but do seek to make reforms to the system as delivered by those bodies.

Comhairle nan Eilean Siar expressed its firm commitment to the establishment of a Single Islands Partnership while **Argyll and Bute Integration Joint Board**, **East Ayrshire Council**, **COSLA**, and **the ALLIANCE** wrote about their concerns regarding proposals for the development of a National Care Service (NCS). These are said to be the source of significant uncertainty which is making longer-term planning and transformation particularly challenging. There are also concerns about the effectiveness of centralised decision-making and the loss of the immediacy of elected representatives who are accountable for the performance of care services currently.

Workforce and pay bill targets

Questions 2, 4, 8 and 11

Although workforce and pay bill targets now appear to be revised, as indicated in the correspondence from the then Deputy First Minister on 3 February and 20 March 2023, relevant questions in the CfV were based on the announcements made in the RSR. Answers to these questions demonstrated little awareness of these revisions and provided broad comments on the workforce levels and pay bills in each organisation. Most answers did not clarify what level of reduction in full-time equivalent (FTE) staff would be required to achieve the goals of reducing the public sector headcount to pre-COVID levels and total pay bill costs to 2022-23 levels. Nevertheless, the range of respondents' answers is presented below.

Table 1: Respondents' FTE staff levels and 2022-2023 and 2023-2024 pay bills.[3]

Organisation	FTE Staff[4]	Pay bill 22-23	Pay bill 23-24	% change
Scottish Biometrics Commissioner	4.0	£300,000	£340,000	13.3
Scottish Legal Complaints Commission	54.2	£2,678,595	£2,904,134	8.4
Scottish Futures Trust	67.0	£7,043,000	£7,298,000	3.6
Revenue Scotland	85.6	£4,900,000	£5,500,000	12.2
South of Scotland Enterprise	50-249	£8,600,000	£10,100,000	17.4
Crown Estate Scotland	50-249	£5,200,000	£7,100,000	36.5
Highlands and Islands Enterprise	262.0	£16,800,000	£17,200,000	2.4
NatureScot	250+	£31,346,000	£33,320,000	6.3
Food Standards Scotland	250+	£16,700,000	£17,700,000	6.0
Registers of Scotland	250+	£55,300,000	£54,700,000	1.1
Comhairle nan Eilean Siar	250+	£82,400,000	£87,100,000	5.7
Scottish Canals	250+	£11,321,000	£11,094,000	-2.0
VisitScotland	509.1	£26,000,000	£26,500,000	1.9
Scottish Enterprise	1,106.0	£73,600,000	£80,400,000	9.2
East Ayrshire Council	5,622.2	£252,000,000	£268,000,000	6.3
Highland Council	8,304.0	£388,500,000	£398,400,000	2.5
NHS Ayrshire & Arran	10,353.0	£592,000,000	£630,000,000	6.4

Some organisations, such as **VisitScotland, Scottish Legal Complaints Commission** and **Scottish Enterprise** are already below their pre-COVID levels. **NatureScot** reduced the headcount during the pandemic due to lower demand and

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[3] The table provides a general overview, but because of variability of submissions, not all figures are strictly comparable.
[4] Submissions did not always clarify from period the FTE came from. Where precise figure was not provided, an answer (range) from the multiple-choice questions is used.

is now increasing its staff levels because of increasing demand or new duties given by the Scottish Government.

Registers of Scotland plans to reduce its headcount by 10 per cent by 2027 and **NHS Ayrshire & Arran** intends to decrease its staffing levels by reducing the supplementary staffing (i.e. bank staff, overtime, and agency staff; together they make up 1 per cent of the total FTE staffing) by half by 2023/2024 as the bed footprint returns to pre-pandemic levels.

Food Standards Scotland expressed that both their current and planned staffing levels are significantly below identified need. Because of this gap, it conducted a re-prioritisation exercise that identified activities that would need to be stopped or paused.

Revenue Scotland plans to increase its staffing due to its work in the introduction of the Scottish Aggregates Tax. **Crown Estate Scotland**, while noting that as a self-financing public corporation it does not directly add to the Scottish public sector total pay bill, said that it does not plan on reducing headcount arguing that:

> "As a public corporation […], the challenge to "do more with less" is counterproductive and potentially very damaging to **Crown Estate Scotland** and our activities. We are designed to operate on a long-term basis using the principle of "spend more to make more and deliver more" […]"

Argyll and Bute Integration Joint Board said that it has been facing significant challenges related to the recruitment of qualified staff.

In its submission, **COSLA** highlighted that the public sector still remains under significant post-COVID pressure and that current high inflation – reflected in recent pay deals – means that retaining the same cash-terms budget for pay equates to even fewer staff than was envisaged when that target was first set in the Resource Spending Review. Moreover, councils view the Scottish Government's commitment to maintaining teacher numbers as further restricting their flexibility and leading to the concentration of job reductions in fewer areas.

Concerns around the Government public sector pay bill and workforce targets were also voiced in the submission sent by **STUC**. They argued that the size of the public sector workforce was at historically low levels before the pandemic and that the efforts to return to these low levels currently would necessarily have a negative impact on the delivery of essential services. **Audit Scotland** stated that reducing the workforce whilst maintaining or even expanding in some delivery areas will require "careful management" and a clear plan from the Scottish Government.

STUC along with **Audit Scotland**, **COSLA**, and **Argyll and Bute Integration Joint Board** were also concerned about the impact of workforce reductions on staff morale and retention, especially in the context of high inflation and restrictions to pay bill. **Audit Scotland** also pointed out that these factors can have an impact on the ability of public sector organisations to successfully reform by potentially increasing the turnover of senior staff and reducing the leadership capacity in the face of high private and third sector competition.

Feasibility of PSR

Questions 6, 10 and 11

Among respondents, question 10 asking about the levels of support and guidance from the Scottish Government was only relevant to the non-departmental public bodies. All of them, apart from **VisitScotland** that did not answer this question, expressed that they receive an adequate and sufficient level of support to deliver the reforms.

However, it should be noted that in all responses reform plans are thought of as an integral part of existing or upcoming corporate plans and strategies rather than distinct, new projects with their own goals and objectives initiated by the announcements made in the RSR. Consequently, when answering question 6 on the feasibility of the timescale for creating reform plans, each respondent provided either a very general answer or pointed to the time horizon of its own existing corporate plan or strategy. Correspondingly, organisations tended to point to and express confidence in their existing or to-be-implemented monitoring and reporting mechanisms when answering question 11. In this context, **Audit Scotland** said that:

> "…the focus of much public sector performance management and reporting continues to be on short-term metrics for public services rather than prevention and longer-term outcomes. Improving the alignment between the Scottish Government's reform ambitions, including its commitment to prevention and improving long-term outcomes, and its performance management arrangements would better incentivise public bodies to focus on these areas."

This echoes what the Committee heard on 9 November 2021 from Professor James Mitchell from the University of Edinburgh, the Auditor General for Scotland, and Professor Graeme Roy of the University of Glasgow.

Relationship between PSR and Scottish Government's strategic priorities

Question 7

Respondents' answers to this question did not link their reform plans to delivering on the Government's priorities of tackling child poverty, transforming the economy to achieve a just transition to net zero, and ensuring sustainable public services. Rather, if an answer was provided, it commented on how the organisation's services and work so far have contributed to them, oftentimes indirectly. This might give a perception that PSR and SG's Strategic Priorities are not thought of as connected, mutually reinforcing, or complementary. **Audit Scotland**'s and the two individual submissions sent by **Robert Martin** explicitly voiced these general concerns around PSR and stress the need for clear communication and leadership from the Scottish Government.

One notable initiative in relation to the 'sustainable services' priority are Net Economic Impact (NEI) assessments conducted by **VisitScotland**. NEI is a means of quantifying new money that is generated in the economy that would not have been generated without VisitScotland intervention. This approach stands out from other submissions as an attempt to provide an overall quantitative assessment of the sustainability of the services that the organisation provides.

Commenting on the barriers to delivering on the same priority area Highlands Council stated that:

> "A key challenge for the Council is undertaking long-term planning to deliver sustainable service provision when operating with the uncertainty of one-year budgets settlements."

The need for multi-year funding frameworks was also highlighted in **the ALLIANCE** and **Scottish Council for Voluntary Organisations** submissions. Other barriers mentioned in the submissions included budgetary constraints, inflation, ageing population, and availability of skilled workforce.

Other key points from non-public service organisations and individuals

Questions 1 and 2 posed to individuals and non-public service organisations

In the context of health services, **Reform Scotland** stressed that developing and investing in early intervention and prevention programmes is crucial for the long-term sustainability of the NHS. This point was echoed by **COSLA** and **NHS Ayrshire & Arran**.

The ALLIANCE argued that human rights and equalities are not emphasised enough or even missing from the priorities set out in the RSR. It sees it as necessary that a human rights-based approach is at the forefront of reform efforts. Related points were also raised by **Audit Scotland** which pointed out that there remains a gap around citizen participation in budget processes. Yet, participatory budgeting is argued to be even more important at the particularly challenging time of both reform and economic and budgetary challenges. In this context, the submission highlights the Scottish Government's Social Security Programme as an example of good practice of public engagement. It is praised for its continuous learning from existing benefit recipients through user experience panels and engagement with targeted client groups to inform its design decisions.

Scottish Council of Voluntary Organisations voiced its concern that PSR plans do not acknowledge the role of the third sector in the effective provision of public services and the **Scottish Private Nursery Association** highlighted that the Early Learning and Childcare (ELC) sector has a key role to play in delivering all three of the Scottish Government's strategic priorities. The submission argued that moving ELC provision from Local Authorities to the independent sector can release resourses for the wider public sector reform.

No submission pointed to an extensively described example of international good practice of public service reform programme. Nevertheless, Citizen Advice Scotland highlighted and welcomed the development of Community Wealth Building (CWB) in Scotland which has been embraced by the Scottish Government after the successful pilot in Preston, England. CWB is argued to be particularly effective in addressing a number of PSR priorities such as improving public procurement and maximising revenue through public sector innovation. In the context of the workforce reduction target, **STUC** argued that it does not have to be a necessary part of PSR. It pointed out that Scandinavian countries do have both a relatively large and effective public sector.

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Wojciech Krakowiak, SPICe Research
22 May 2023

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Annex

Questions for public service organisations

1. Please tell us about your organisation type and sector

2. How many FTE (full time equivalent staff) does your organisation have?

3. To what extent is your organisation fully using its land/estates/offices and what scope is there for efficiencies in these areas?

4. What is your organisation's total pay bill for 2023-24 (in £ millions), compared to 2022-23 levels?

5. What opportunities for further efficiencies has your organisation identified in these five priority areas for reform? Please give brief descriptions and timescales for delivery.

6. The Scottish Government has asked public bodies to produce their plans for delivering public sector reform by later this year, in order to inform the 2024-25 budget. How realistic is this timescale?

7. Please tell us if, and how your organisation's plans seek to deliver on the Scottish Government's three strategic priorities, set out below? Please also outline briefly any barriers to delivering these priorities.

8. Given the Government ambitions to reduce the public sector head count and total pay bill costs to 2022-23 levels, what level of reduction in FTE does this mean for your organisation, and how do you plan to achieve it and by when?

9. How, if at all, is your organisation working collaboratively with other public sector organisations to produce joint service reform plans for the public body landscape and use of resources (for submission to the Scottish Government later this year)?

10. What level of support and guidance has your organisation been given by the Scottish Government to deliver the efficiencies and plans necessary for your organisation, and how adequate has this been?

11. Can you describe the impact of your plans for reform on how your services will be delivered, in both the short and long term?

12. How do you propose to monitor and assess the impact of any reforms on the quality and delivery of your organisation's services?

Questions for individuals and non-public service organisations

1. Please tell us how you think the Scottish Government's public service reform programme is working in practice and how its aims of delivering effective and efficient public services are being met.

2. The Committee would also be interested to hear about any examples of good practice where public service reform programmes have worked well in other countries and any lessons that can be learned.