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News release

For immediate release

Short term approaches don't address Scotland's unsustainable public finances

The Scottish Government must move beyond making short-term savings to balance its budget, and urgently reform to address the public sector's unsustainable finances.

There has not been enough progress made in reforming public services over the past year. Public sector budget shortfalls of more than £1 billion are forecast, and repayments on borrowing continue to grow. The Scottish Government needs to urgently reform, including looking at the size and structure of the public sector workforce.

The Scottish Government's consolidated accounts for 2023/24 show it responded to large and ongoing financial pressures through a range of short-term measures such as cutting spending across transport, net-zero and education to balance its £54 billion budget. In September 2024, it announced more actions to balance the 2024/25 budget, including:

- a recruitment freeze on non-essential posts
- means testing winter fuel payments
- emergency spending controls
- and using ScotWind revenue previously earmarked for addressing the climate and biodiversity crises.

These were largely one-off, non-recurring savings being used to meet recurring costs. They do not address the underlying factors affecting the public sector's unsustainable financial position, such as the design and delivery of services, and the workforce.

Stephen Boyle, Auditor General for Scotland, said:

"For some time, myself and others have called for urgent reform of Scotland's public services to address the public sector's unsustainable finances and the threats these pose to services. The Scottish Government continues to work hard to balance its annual budgets. But making in-year, one-off savings to fund recurring costs doesn't tackle the issue, it exacerbates it.

“It’s critical that the Scottish Government moves at pace to reform the design and delivery of public services. This includes being clear what the public sector workforce needs to look like to sustainably achieve the outcomes that Scotland’s leaders want for citizens.”

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Notes to Editor:

1. The Scottish Government’s Consolidated Accounts show that total net expenditure during 2023/24 was £53,980 million, £277 million less than budget.

2. NHS Recovery, Health and Social Care (£19,138 million) and Social Security (£5,686 million) accounted for 46 per cent of the total Scottish Government spend in Scotland in 2023/24.

3. The cost of completing MV Glen Sannox and MV Glen Rosa increased to £299 million in February 2024. Due diligence has commenced but until it is concluded there is no clear value for money assessment for the increased cost.

4. The Auditor General’s report also notes that, following the recent governance issues at the Water Industry Commission for Scotland, it is vital that the Scottish Government remains focused on improving the quality and consistency of sponsorship arrangements for public bodies.

5. Estimated implementation costs for the Scottish Government’s new HR and Finance system, Oracle Cloud, have risen from £22 million to £66 million since April 2022.

6. Scottish Government outstanding debt on capital and resource borrowing (see Exhibit 5) stood at over £2 billion (£2,240 million) in 2023/24. These repayments on borrowing continue to grow and will need to be managed within overall spending limits.

7. ScotWind was the name given to the leasing of Scotland’s seabed to companies who want to build offshore wind farms. The leasing round resulted in 20 projects securing seabed option agreements.

8. In October 2023, the Auditor General reported on the Scottish Government's workforce challenges. In that report he said the government needed to support its workforce to deliver reforms, and that projections suggest it cannot afford to pay for services in their current form.

9. The Auditor General has prepared the report on the Scottish Government's consolidated accounts for 2023/24 under Section 22 of the Public Finance and Accountability (Scotland) Act 2000. This allows the Auditor General to bring to the Parliament and the public's attention matters of public interest related to the financial statements of public bodies.

10. Section 22 reports are submitted to Scottish Ministers for laying in the Parliament along with the accounts of the relevant body. While there are statutory deadlines for these reports, the actual timing of publication is determined by when the report is laid in the Scottish Parliament by Scottish Ministers.

11. Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at www.audit-scotland.gov.uk

- The Auditor General appoints auditors to Scotland's central government and NHS bodies; examines how public bodies spend public money; helps them to manage their finances to the highest standards; and checks whether they achieve value for money. The Auditor General is independent and is not subject to the control of the Scottish Government or the Scottish Parliament

- Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission for Scotland.