

News release

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Transparency needed on spending risks and plans for public services

Public services will come under further threat if the Scottish Government does not set out and deliver a clear and costed vision for public service reform.

Spending pressures have become more acute in recent years and are forecast to grow. But ministers have continued to rely on short-term decisions to balance the books, rather than making fundamental changes to how services are delivered.

Public service reform is a key component of the Scottish Government's approach to fiscal sustainability. But there is no evidence of large-scale change on the ground, while the Scottish Government:

- has not yet fully established effective governance arrangements for a reform programme
- does not know what additional funding is required to support reform
- and has not provided enough leadership to help public sector bodies deliver change.

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.

Stephen Boyle, Auditor General for Scotland, said:

“People do not fully understand the medium-term risks public services are facing because of a lack of transparency from the Scottish Government.

“The reality is that we need a fundamental change to how public money is spent to ensure services can meet demand and remain affordable beyond the short-term.

“To turn that into action on the ground, the Scottish Government must set out a clearer vision of what its plans for reform will achieve, including delivery milestones and the likely impact of reform on services and people.”

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Notes to Editor:

- 1.** The Scottish Government's last Medium-Term Financial Strategy, published in May 2023, forecast that without corrective action, there would be a gap between spending and funding of £1 billion this year (2024/25), rising to £1.9 billion by 2027/28 (see Exhibit 1). The Scottish Government's recent internal forecasts show a similar trend.
- 2.** The UK Autumn Budget on 30 October led to additional funding being allocated to the Scottish Government. The UK Government has stated that this includes an additional £1.5 billion this financial year and an additional £3.4 billion next year through the Barnett formula. The full implications of this funding will not be known until the Scottish Budget, planned for early December 2024.
- 3.** In recent years, the Scottish Government has made short-term decisions to balance the Scottish Budget. For example, public sector pay deals for 2024/25 were partly met by using one-off sources of funding, currently including £460 million of ScotWind revenues. Ministers do not know how this higher spending on pay – their single biggest cost - will be funded in the future.
- 4.** 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
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