AUDITOR GENERAL

News release

For immediate release

Short term measures not addressing gap in public sector finances

The Scottish Government recorded a £1 billion underspend in 2024/25 but still needs to move away from short-term measures to address a stark forecast gap between its spending plans and funding.

The underspend was supported by over £2 billion of additional funding from the UK Government, meaning a plan to help balance the budget with £460 million of offshore wind leasing revenues was not needed.

Significant pressures remain in achieving financial balance in 2025/26, and many of the necessary savings identified and delivered so far are non-recurring. This continued short-term approach to managing spending is not supporting the fiscal sustainability of the Scottish public sector.

The Scottish Government's latest Medium Term Financial Strategy projects a combined resource and capital funding gap of £4.7 billion by 2029/30. This is due to policy choices and higher workforce costs. However, the government's plan to make savings over the next five years lacks detail on how they will be delivered.

Stephen Boyle, Auditor General for Scotland, said:

"Although the Scottish Government reported a £1 billion underspend this year, it did so from a combination of additional funding from the UK Government and one-off savings.

A forecast gap of nearly £5 billion remains between what ministers want to spend on public services and the funding available to them.

"The Scottish Government needs to prepare more detailed plans setting out how it will close that gap by the end of the decade."

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Notes to Editor:

1. The Auditor General has prepared the report on the Scottish Government's 2024/25 Consolidated Accounts under Section 22 of the Public Finance and Accountability (Scotland) Act 2000. This allows the

Auditor General to bring to the Parliament's and the public's attention matters of public interest related to the financial statements of public bodies.

2. 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.

3. The independent auditor is content that the Scottish Government Consolidated Accounts show a true and fair view and have been properly prepared to follow accounting standards and that the income and expenditure for the year is lawful.

4. The Consolidated Accounts show that total net expenditure during 2024/25 was £56.3 billion, £1 billion less than budget. The resource budget was underspent by £875 million (1.6 per cent) against a budget of £54.8 billion. Capital was underspent by £134 million (5.3 per cent) against a budget of £2.5 billion.

5. In total, just under £2.2 billion of additional resource Barnett consequentials were received in 2024/25 due to an increase in UK Government spending.

6. The 2025 Medium-Term Financial Strategy presents a stark picture with gaps in resource projected to grow from a balanced budget in 2025/26, to a gap of £2.6 billion in 2029/30. The MTFS also highlights that capital spending is forecast to exceed the available budget by £1.1 billion in 2026/27, rising to a gap of £2.1 billion in 2029/30.

7. The Auditor General's s22 report notes that a lack of available data means that the Scottish Government is not clearly demonstrating that public spending is delivering the intended outcomes. There is also a risk that the current Director General portfolio structure is preventing the necessary focus on cross-government issues, such as public sector reform or child poverty.

8. Oracle Cloud was successfully rolled out in October 2024 to manage the Scottish Government's and 32 other public sector bodies' HR, finance, and procurement functions. This came at a total implementation cost of £59.5 million. Continued focus will be needed to realise the anticipated benefits and demonstrate value for money from the investment in the new system.

9. Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at www.audit.scot

- 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.

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