

The Scottish Government's workforce challenges



AUDITOR GENERAL 

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Audit team

The core audit team consisted of: Fiona Diggle, Richard Robinson and Thomas Charman under the direction of Mark Taylor.

Key messages

The Scottish Government's workforce challenges

- 1** People employed by the Scottish Government and its public bodies are critical in delivering public services, making up around half of day-to-day spending. 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.
- 2** Pay costs for NHS, central government, police and fire services, and further education were £13.4 billion in 2021/22. Recent pay deals exceed 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.
- 3** The Scottish Government is currently planning for future workforce growth which is slower than in recent years. An approach to reform that primarily focuses on controlling workforce numbers and pay costs will not address current and future capacity challenges and is unlikely to balance public finances. Effective public service reform requires better strategic workforce planning as well as wider changes to how staff work within and across organisations.

- 4** The Scottish Government has begun work with its public bodies to better understand the difference planned reforms will make to both the services its workforce provides and how it delivers them. It needs better data on the size, cost and skillset of the workforce in over 100 of its public bodies to support this process.
- 5** The scale of public sector workforce reform that will be required to deliver sustainable public services in coming years is greater than that seen in recent years. Long-term reform plans are at an early stage, and will need to deliver change quickly given the scale of the challenge ahead. Historically, there has been an implementation gap between public sector reform ambitions and the ability of the Scottish Government to deliver change on the ground. Addressing this implementation gap is vital to deliver affordable public services.

Recommendations

The Scottish Government should:

- Work with its public bodies to bring together a central analysis of current workforce costs in Scotland, as a priority. This should reflect public bodies' workforce plans.
- Use this information and data to inform the next Medium-Term Financial Strategy in summer 2024. In particular, the Scottish Government should consider:
 - expected changes in spending due to pay growth by sector based on pay policies and pay deals
 - expected changes in workforce numbers by public body based on existing workforce plans
 - the anticipated effect on workforce costs of any spending efficiencies identified by public bodies.
- Between now and summer 2024 work with its public bodies to collate plans for reform, including understanding the difference that this will make to workforce costs, how staff deliver services and staff wellbeing.
- Work closely with its public bodies to understand how in-year pay settlements above those in the pay policy are managed, and the effects on service delivery. This should include close monitoring of larger public bodies where smaller percentage changes have a greater overall impact on the Scottish Budget.
- Medium-term financial plans should include an assessment of whether the savings expected from reform have been realised. This should include an assessment of how workforce costs have changed, given its central importance to reform.

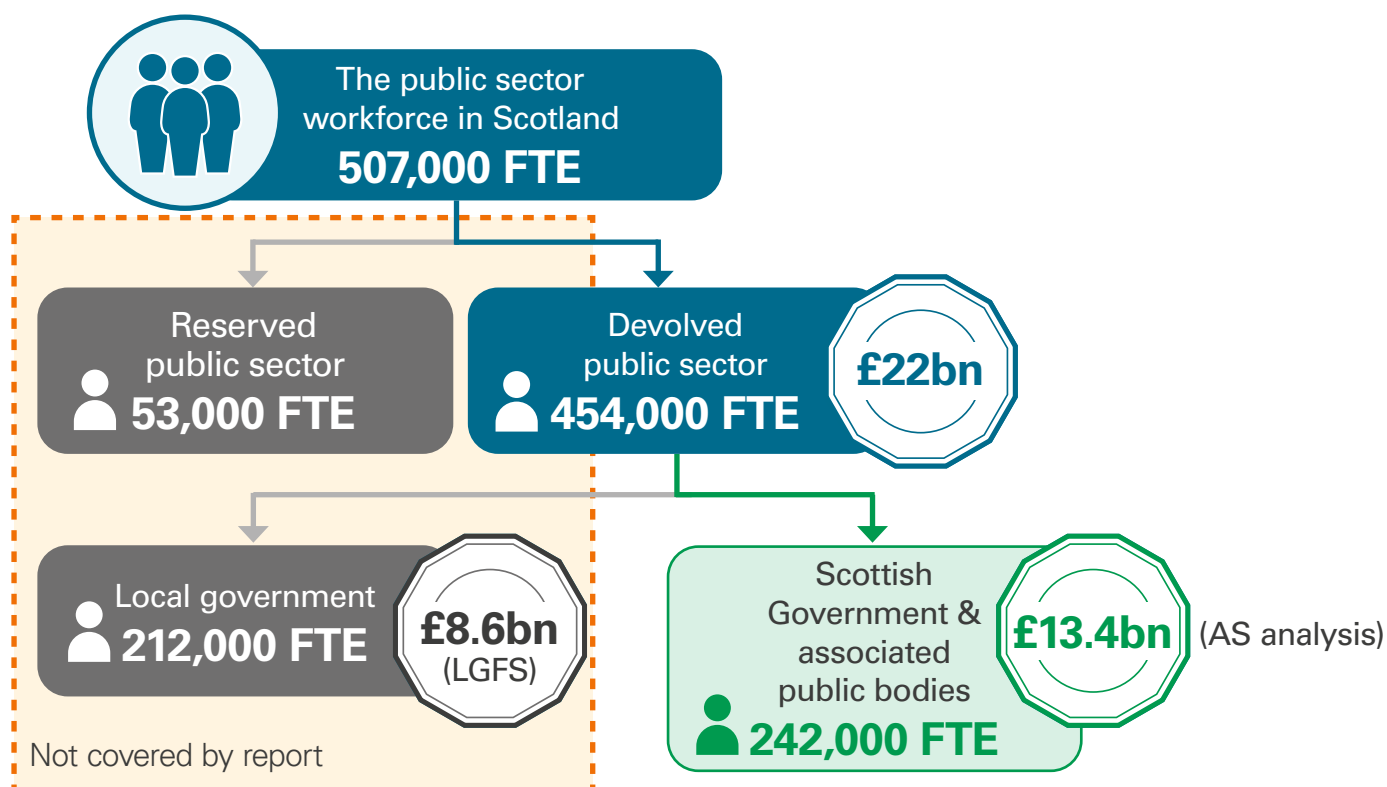
Introduction

Background

- 1.** Nearly 600,000 people were working in the public sector at the end of 2021/22, over 20 per cent of all people working in Scotland. This is over 500,000 full-time equivalent (FTE) employees.¹ Workers in the public sector perform a variety of roles across different layers of government.
- 2.** The devolved public sector workforce employed over 450,000 FTE in 2021/22, and is a significant element of public sector expenditure, accounting for over £22 billion of annual spending in 2021/22.² This is equivalent to over half of the Scottish Government resource budget for that year. Of this, 212,000 FTE work in local government, such as teachers, social workers, and staff who provide other local government services.
- 3.** Based on Scottish Government data, over 240,000 FTE staff work in services where the Scottish Government directly sets policy and is the main source of funding: that is, central government, police and fire, further education, and NHS services. ([Exhibit 1, page 7](#))
- 4.** Having the right people with the right skills in the right places is key to the Scottish Government being able to achieve its policy ambitions and deliver high-quality public services to the people of Scotland.
- 5.** Ten years ago, the Auditor General and the Accounts Commission published [Scotland's public sector workforce](#), a performance audit assessing how effectively public bodies across the public sector were managing changes in their workforce. That report highlighted the important role workforce planning, service redesign, joint working and collaboration need to play in supporting public service reform. Some of the challenges identified in that audit remain, such as the availability and quality of data relating to public sector employment and staff costs data. There have been no successful large-scale reforms of the public sector workforce since its publication in 2013.
- 6.** This briefing revisits the issue of public sector workforce in the context of the challenges now facing the Scottish Government as it seeks to deliver sustainable public services at a time of significant service demand and financial pressure.

Exhibit 1

Breakdown of the overall full-time equivalent (FTE) public sector workforce in Scotland, 2021/22



Source: Audit Scotland analysis. The FTE data is from Scottish Government, Public sector employment in Scotland. This is published on a quarterly basis – here we have taken an average across the four quarters of 2021/22. This is slightly different from our total from the accounts analysis. The local government workforce cost is from the Local Government Finance Statistics.

About this report

7. Workforce costs have grown in recent years as staff numbers have increased, combined with inflationary pressures and wage growth. The Scottish Government's central projections for medium-term workforce growth are lower than actual growth in recent years and include an expectation that ongoing reform in public bodies will help to manage costs.

8. Workforce reform is part of the Scottish Government's wider approach to reforming Scotland's public services. It has set out a two-track approach to reform, targeting short-term efficiencies alongside more systemic long-term reform. Immediate reform areas include making efficiencies in service delivery, as well as new pay and workforce strategies.

9. This reform approach focuses on the Scottish Government and its associated public bodies. For local government, the Scottish Government and local government leaders have agreed the [New Deal for Local Government](#) (also known as the Verity House Agreement) and a local government fiscal framework is expected. This paper therefore does not cover local government. The Accounts Commission will be reporting separately on local government workforce matters as part of its programme of audit work.

10. This briefing focuses on the workforce of the Scottish Government and its public bodies, as set out in [Exhibit 1 \(page 7\)](#). In this paper, we describe this as the Scottish Government workforce. Where we refer specifically to the civil servants employed by the Scottish Government, we will describe this as the core Scottish Government workforce.

11. To help inform scrutiny of this significant area of spending, the paper sets out the most up-to-date Scottish Government workforce position and trends over time, both in costs and numbers of employees. It considers what workforce-related financial challenges lie ahead, the impact these could have on budgets over the next five years, and how the Scottish Government will need to engage with public bodies to address these issues through reform.

12. This briefing draws on regular statistical publications on the overall size of the Scottish public sector workforce since devolution. To understand recent years in more depth for the Scottish Government workforce, we have also collected and analysed workforce-related financial information from the audited annual accounts of 107 public bodies, up to and including the 2021/22 financial year. The full list of public bodies is included in the [Appendix](#) to this report.

13. There are limitations to using information in the accounts to compare workforce costs across bodies, which we outline in the [Appendix](#). We understand that the Scottish Government has requested current workforce information from all public bodies in Scotland, which it is intending to analyse to help it better understand workforce reform.

Next steps

14. The 2024/25 Budget is expected to include further information about reform, as well as spending prioritisation and multi-year spending envelopes for portfolios.

15. The Auditor General and the Accounts Commission will return to issues of workforce, financial sustainability and reform through their work programme. Relevant planned work for 2023/2024 includes performance audits on making the most of public money, the National Strategy for Economic Transformation, and NHS in Scotland 2023. For more information, please see [our dynamic work programme](#).

The workforce challenge

Workforce numbers have increased significantly since the establishment of the Scottish Parliament in 2000

16. [Public sector employment in Scotland statistics](#) show that since the Scottish Parliament was established, the Scottish Government's workforce numbers have increased significantly from under 150,000 FTE in 1999/00, to over 245,000 by 2022/23, an increase of around 65 per cent. For comparison, over the same period, the Scottish resource budget increased by over 90 per cent in real terms.³

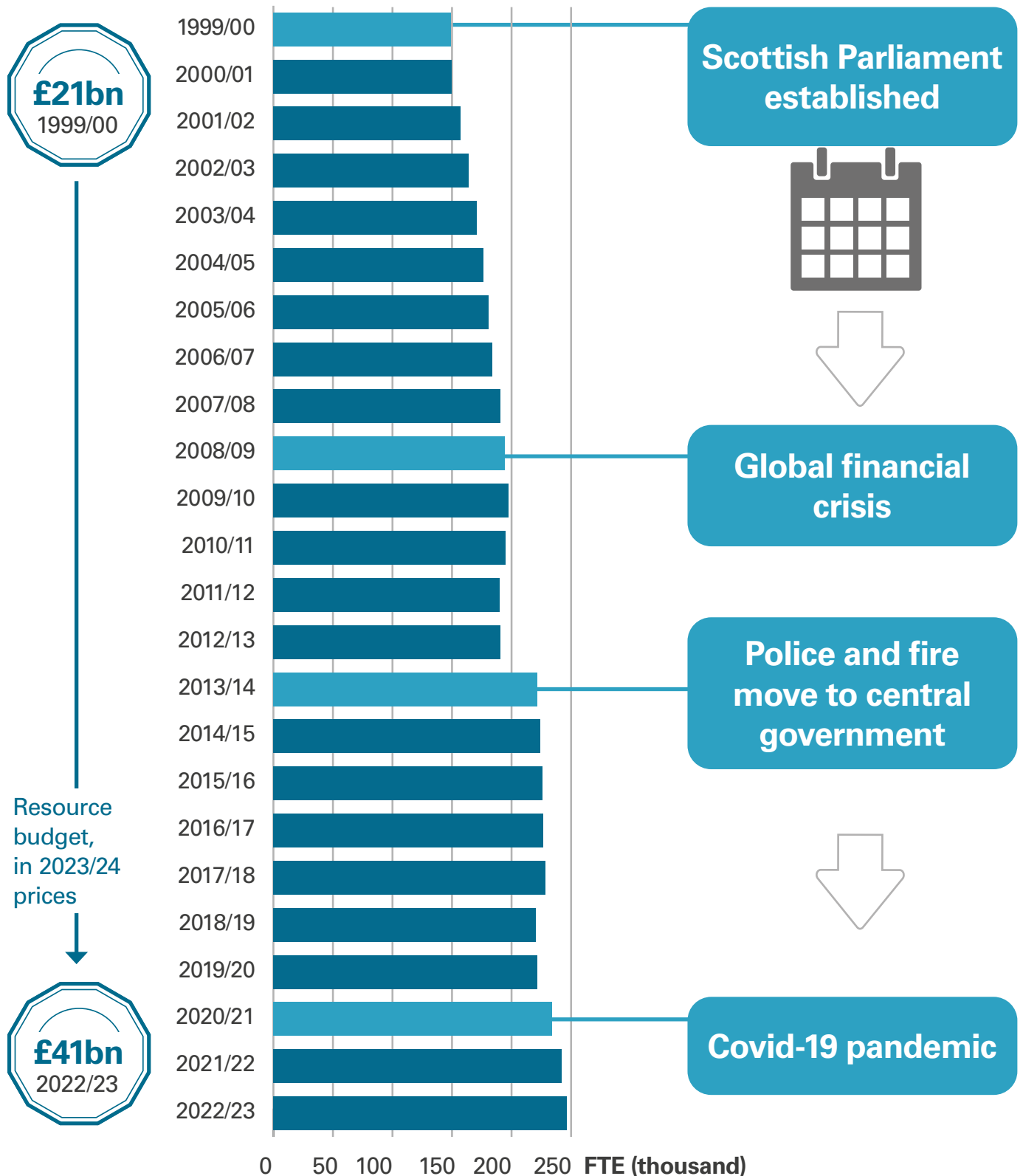
17. Analysis of [Public sector employment in Scotland statistics](#) suggests the increase in workforce numbers over this period can be explained by changes in three sectors:

- The NHS workforce has grown from 107,000 in 1999/00 to 156,000 in 2022/23 (half of the total increase)
- Police and fire services were transferred to central government from local government in 2013/14, and account for 27,000 FTE of the Scottish Government workforce in 2022/23 (over a quarter of the total increase)
- The civil service has grown from 14,025 FTE to 26,050 FTE over this period (over ten per cent of the total increase). The devolution of new powers has led to the creation of new bodies, such as Social Security Scotland, which employed nearly 2,400 FTE in 2021/22.⁴ These new bodies only account for part of the rise in civil service numbers.

18. Workforce numbers have decreased in some sectors, for example further education, where workforce numbers have fallen by 12 per cent since devolution.

Exhibit 2

The workforce of the Scottish Government and its public bodies, 1999/00–2022/23, full-time equivalent (FTE)



Source: Scottish Government, Public sector employment in Scotland statistics; Departments of the Secretary of State for Scotland and the Forestry Commission, Expenditure Plans 1999-00 to 2001-02, March 1999, and Scottish Government, Scottish Budget 2022-23, December 2022; Audit Scotland analysis

Workforce costs continue to make up around half of day-to-day Scottish Government spending

19. [Exhibit 2 \(page 10\)](#) shows that, as the Scottish Budget has grown, workforce numbers have also broadly increased. However, the links between budgets and staff costs are not straightforward. For example, social security spending has grown from £271 million in 2018/19 to £3.5 billion in 2021/22. The majority of these benefits continue to be delivered through Agency Agreements with the Department for Work and Pensions.

20. Excluding both local government and social security spending, our analysis shows staff costs average around half of Scottish Government resource spending between 2018/19 and 2021/22.

21. As we reported in [Scotland's financial response to Covid-19: Spending update](#), the Scottish Government received an additional £14.4 billion of funding during the Covid-19 pandemic. Some of this funding was spent on supporting the Scottish Government workforce. Our analysis of the audited accounts shows that staff costs increased from £10.5 billion in 2018/19 to £13.4 billion in 2021/22, an 18 per cent real terms increase in today's prices. This represents staff from 107 public bodies, across central government, the NHS, further education, and police and fire.

22. In May 2022 in the [Resource Spending Review](#), the Scottish Government originally signalled its intention to keep the total cost of the overall annual pay bill the same as 2022/23 from 2023/24 onwards, returning the size of the devolved public sector workforce (excluding local government) to around pre-Covid-19 levels by 2026/27.⁵ The Scottish Government has now moved away from this approach, instead setting out a broader requirement for public sector bodies to ensure workforce plans and projections are affordable.⁶

The Scottish Government is under growing pressure to increase staff pay

23. The UK economy has experienced inflationary pressures since 2021, which has created a cost-of-living crisis. This has affected all areas of public and private sector employment. A [report published by the Scottish Government](#) identified that the cost-of-living crisis poses challenges for public services in their ability to recruit and retain sufficiently skilled staff. The Scottish Government has also faced challenges in maintaining services and avoiding disruption caused by industrial action.

24. While inflation is now falling, it is not forecast to reach the Bank of England's target of two per cent until early 2025.⁷ This may lead to continued pressure on public sector wage bills.

25. Higher levels of inflation have meant that managing the in-year consequences of pay settlements has been particularly challenging over the last two years. The Scottish Government has agreed an additional £1.7 billion more than its original pay expectations during the course of 2022/23 and 2023/24. It will have to make in-year budgetary changes to meet these costs.

- The [Emergency Budget Review](#) process for 2022/23 applied additional income and savings to cover the costs of pay offers worth over £700 million (including £260 million to support local government workforces). The additional pay costs for the 2022/23 pay round were finalised at over £900 million once all negotiations were concluded.
- We understand that an additional £785 million has been spent to date in 2023/24 compared to its main expectations set out in the Public Sector Pay Strategy. For example, the Scottish Government has agreed a pay increase of 12.4 per cent for junior doctors in Scotland backdated to April 2023. The impact on the 2023/24 Budget has not yet been reported.

26. This is not the first time that the Scottish Government has had to manage significant in-year changes. During the pandemic, nearly £12 billion was allocated in budget revisions to the Covid-19 response, on top of the normal budget processes. In the Auditor General's report, [Scotland's financial response to Covid-19](#), he concluded that the current episodic budget management and scrutiny processes were not designed for high levels of change.

Recent pay deals have not been in line with the Scottish Government's pay policy

27. The former [Deputy First Minister noted in evidence to the Finance and Public Administration Committee](#) that the two per cent pay increase set out in the pay policy alongside the 2022/23 Budget 'provided zero guidance' to public bodies setting pay deals in light of the high levels of inflation, and confirmed that additional processes were put in place to manage this during the year. We understand that the value of pay uplifts for public bodies covered by the pay policy was on average five per cent in 2022/23.






28. The pay strategy for 2023/24 was delayed until March 2023. This recommended a central metric for pay increases of 3.5 per cent, and set maximum pay increases of five per cent, where business efficiencies and/or pay bill savings have been identified.

29. The pay policy applies to central government. Where UK pay review bodies make recommendations on pay in other sectors (for example, health, and police and fire), Scottish Ministers will make decisions in the light of these recommendations amongst other factors. The pay review board proposals for 2023/24 set pay increases of between five and seven per cent. [Exhibit 3 \(page 13\)](#) highlights the range of pay deals agreed over

the last two years. These pay deals are above the expectations included in the Scottish Government pay policy.

Exhibit 3

Selected pay deals across the Scottish public sector

Workforce	Pay deal agreed	
	2022/23	2023/24
 Pay policy (applies to central government, taken into consideration in other sectors)	2% pay increase	Recommended 3.5% pay increase; 5% maximum increase
 NHS Agenda for Change workers (includes nurses, midwives, paramedics, allied health professionals, porters and others)	average 7.5% increase in pay	average 6.5% increase in pay
 Junior doctors	increase of 4.5%	uplift of an average of 12.4%
 Rail workers	5% rise plus an extra £750 for lowest paid staff	5% rise plus an extra £750 for lowest paid staff
 Police Scotland officers	5% increase	7% increase

Source: Audit Scotland

Changes to pay and conditions will affect the cost of the Scottish Government workforce over the longer term

30. Alongside pay deals, the Scottish Government and its public bodies have agreed wider changes to terms and conditions. The pay deal for police officers agreed for 2023/24 includes a commitment to commission an independent review to look at police officer pay and benefits, as well as consideration of potential approaches to ensuring appropriate wage growth from 2025/26.⁸ As part of the 2023/24 pay deal, the Scottish Government committed to reviewing the Agenda for Change agreement, which covers pay, terms and conditions for all NHS staff with the exception of doctors, dentists and some senior managers. This review will cover career development and progression, pay and reward, and flexible and modern ways of working.

31. Amendments to Agenda for Change will impact around 140,000 FTE, over half of the Scottish Government's workforce.⁹ In addition, the ongoing commitment in the Fair Work agenda to no compulsory redundancies and forthcoming changes such as the intention to move to a 35 hour working week across the public sector will all have implications for staff costs, staff wellbeing and productivity.

Previous audit reports have identified that workforce issues pose risks to public services

32. Audit reports written on behalf of the Auditor General and the Accounts Commission have identified challenges relating to the capacity, welfare and costs of public sector workers:

- The Auditor General's 2019 [NHS workforce planning](#) performance audit identified that primary care services face growing demand, and pressures on workforce supply - including an ageing workforce and problems with recruitment and retention.
- The 2022 [Social care briefing](#) identified that people working in social care are under immense pressure, and staff are not adequately valued, engaged or rewarded for their vitally important role. The workforce is predominantly female, and poor terms and conditions for staff contribute to recruitment difficulties, rising sickness absence and high vacancy levels. The briefing paper concluded that this puts the capacity, sustainability and quality of care services at a considerable risk.
- [NHS in Scotland 2022](#) highlighted that the backlog of care that built up during Covid-19 is growing and concluded that workforce capacity was the biggest risk to NHS recovery. Despite increases in the NHS workforce, vacancy rates for nursing and midwifery staff were at 9 per cent, up from 4.5 per cent in 2017.

Public bodies are looking to actively manage their workforce costs

33. The Scottish Government's approach to financial sustainability requires public sector bodies to work within their budget allocations in the short term.

34. In its [Medium-Term Financial Strategy](#), the Scottish Government noted that it has 'assumed that public bodies will have both the need, and the tools to manage growth in their workforces at a lower rate than we have seen in recent years'. This means that bodies must manage higher pay through existing budgets.

35. Examples of some of the steps that public bodies are currently taking to manage their workforce costs and to reduce their workforce include:

- In his evidence to the Public Audit Committee on 23 February 2023, [the permanent secretary confirmed](#) that workforce controls have been put in place within the core Scottish Government to seek to control pay costs by controlling headcount.
- [Police Scotland](#) is considering a 3.7 per cent reduction in police staff costs, in proportion to an equivalent earlier reduction in officer numbers, to deliver a balanced budget.
- In [Scotland's colleges 2023](#), the Auditor General reported that some colleges have said that they are considering implementing compulsory redundancies.
- VisitScotland and Scottish Enterprise staff numbers are below their pre-Covid levels. [VisitScotland](#) identifies that this has been achieved through natural attrition, fixed-term roles, voluntary redundancy and redeployment.
- [Registers of Scotland](#) plans to reduce its headcount by 10 per cent by 2027. This is a result of its plans to introduce automation to its processes to improve customer service.

36. Public bodies will face differing challenges in managing their workforce costs. For many bodies, the pay bill is the most significant element of their budget, but the proportion of each public body's budget that is spent on its workforce will vary, as will the speed and extent of reform each can achieve.

37. Some public bodies, including those which are relatively small, may be more affected by workforce cost pressures if most of their spending is directly on its staff. For example, in [Scotland's colleges 2023](#), the Auditor General reported that staff costs accounted for around 70 per cent of colleges' costs in 2021/22. Bodies where staff costs make up a higher proportion of spending may also be less able to quickly identify workforce efficiencies.

38. Understandably, each public body must be responsible for performing within its given budget. Yet the extent to which each body can manage workforce changes will vary based on how much of its budget is workforce costs. The Scottish Government will need to work with public bodies to understand these differences.

A pressing need for reform

The Scottish Government's medium-term spending projections suggest that it cannot afford to pay for public services in their current form

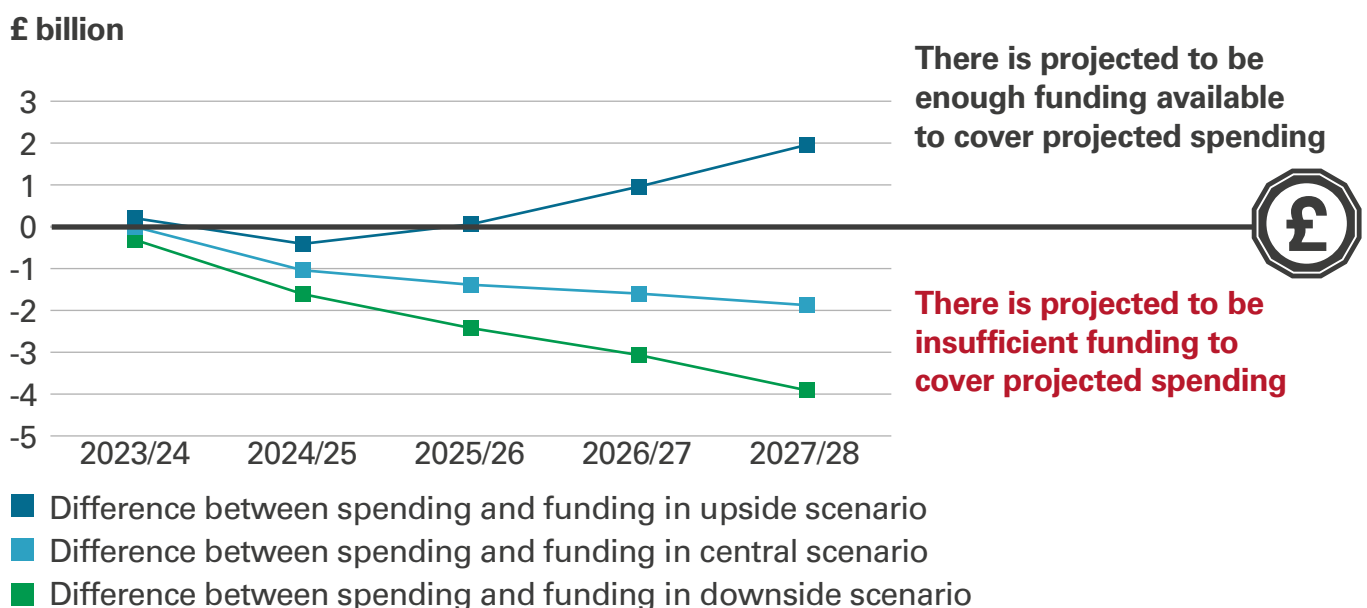
39. The Scottish Government is facing budgetary pressures from the increasing costs of public sector workforce, higher health and social care costs from an ageing population, and social security policy commitments that outstrip the associated block grant funding available from the UK Government.

40. The Auditor General has continued to underline the importance of reforming public services to manage the sustainability of public finances. Understanding how the workforce can enable reform, such as delivering services differently, will be as important as understanding the workforce numbers and costs alone.

41. The [Medium-Term Financial Strategy \(MTFS\)](#) published in May 2023 sets out scenarios for Scottish Government funding and spending over the next five years ([Exhibit 4](#)).

Exhibit 4

The Scottish Government predicts budget shortfalls over the coming years



Note: The scenarios are illustrative and based on Scottish Government analysis

Source: Scotland's Fiscal Outlook: The Scottish Government's Medium-Term Financial Strategy, Scottish Government, May 2023




42. The central scenario sets out a resource funding shortfall of £1 billion in 2024/25, rising to £1.9 billion in 2027/28. To put this in context, this gap is equivalent to roughly 14 per cent of the payroll costs of the Scottish Government and its public bodies (using 2021/22 figures), and the equivalent to the average staff costs for over 30,000 public sector employees.

The Scottish Government's medium-term plans rely on slower workforce growth

43. The Scottish Government's central scenario for workforce growth across both central and local government assumes slower growth in workforce numbers and associated costs than in recent years ([Exhibit 5](#)). Analysis shows the workforce (FTE) has grown on average by 2.3 per cent each year since 2018/19.¹⁰

Exhibit 5

Illustrative cumulative pay award and workforce costs, from Scottish Government Medium-Term Financial Strategy, May 2023

	Assumed 23/24 pay award	Assumed pay awards 24/25 – 27/28	2023/24 workforce costs (£m)	2027/28 workforce costs (£m)	% change in workforce costs	Workforce growth each year
Low scenario 	2%	1%	24,306	25,619 (-£2bn vs central scenario)	5.4%	0.3%
Central scenario 	3.5%	2%	24,477	27,677	13.1%	1.1%
High scenario 	5%	3%	24,617	29,426 (+1.7bn vs central scenario)	19.5%	2.2%

Source: Scottish Government; Audit Scotland analysis. Please note that the Scottish Government's projections include the cost of the local government workforce which is outside of its direct control. Audit Scotland analysis in this paper does not include the local government workforce.

44. Audit Scotland's analysis of audited accounts of the Scottish Government and its public bodies (excluding local government) show that workforce grew on average by three per cent each year between 2018/19 and 2021/22.

45. The growth in workforce costs is significant, representing a 28 per cent increase between 2018/19 and 2021/22. If growth continued at this rate, it would be above the Scottish Government's high scenario.

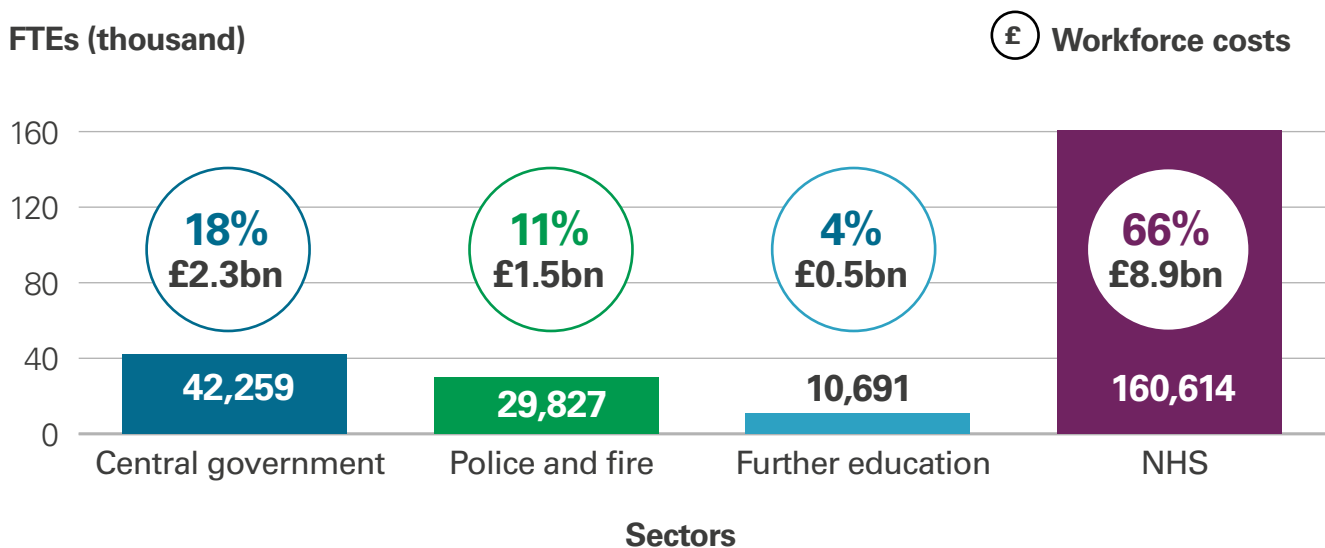
46. Given the high risk to financial sustainability, the Scottish Government will need to monitor workforce costs closely, and clearly set out how necessary reform will impact this risk.

The NHS workforce has the greatest impact on medium-term affordability

47. As shown in [Exhibit 6](#), the NHS accounts for the majority of staff costs and therefore decisions about its workforce size and costs have a large impact on Scottish Government sustainability in the medium term.

Exhibit 6

The NHS accounts for two-thirds of the Scottish Government workforce and workforce costs (2021/22)



Source: Audit Scotland analysis of audited accounts of the Scottish Government and its public bodies

48. The NHS pay deals agreed this year are higher than those projected in the May 2023 MTFS. For example, it has been agreed that a 12.4 per cent increase in pay for junior doctors will be followed by a guaranteed minimum uplift for inflation in the three years 2024/25 to 2026/27.¹¹ These higher than expected costs are cumulative and now locked in to any future budgets. If inflation remains higher than budget assumptions, it could mean that those pay awards become a further cost pressure for the Scottish Government.

49. The Scottish Government has also agreed to modernise the Agenda for Change contract. The impact of this on workforce costs is not yet known.¹²

50. All of the Scottish Government's scenarios in the MTFS anticipate that the health workforce will grow faster than other parts of the public sector. The [National workforce strategy for health and social care in Scotland](#) published in March 2022 committed to grow the NHS workforce over the next five years by one per cent (1,800 FTE) to ensure there is sufficient workforce capacity.

51. Recent NHS workforce data shows a small (0.4 per cent) decline in the NHS workforce numbers between 2021/21 and 2022/23,¹³ likely due to reduced demand for staff to provide Covid-related services.¹⁴ However, as we reported in [NHS in Scotland 2022](#), expenditure on nursing bank and agency staff has grown in recent years. The costs associated with increasing workforce numbers in the NHS will depend on many factors, including changes in skills mix and any offsetting from reduced agency costs it may bring.

52. Nonetheless, the Scottish Government will need to monitor closely the impact these increases have on the affordability of services. The [National workforce strategy for health and social care in Scotland](#) commits to publishing indicative workforce projections, but these have not yet been made available. It is essential that these projections are reflected in future updates to the Scottish Government's MTFS.

53. The Scottish Government has been clear that where its priority areas of spending are higher than expected, other areas of spending must be reduced to keep the overall budget on track.

54. It is unclear the extent to which reducing spending in non-NHS workforce would be sufficient to entirely mitigate any overspends. For example, the 61 central government bodies in our accounts analysis have an average staff cost of £38 million (total staff cost for the sector of £2.3 billion), compared to average costs of £408 million for the 22 NHS bodies (total staff cost for the sector of £9 billion).

55. The Scottish Government should factor into its budget management the scale of each public body's workforce costs, and the impact of workforce changes to the Scottish Budget. For larger public bodies, predominantly in the NHS, smaller percentage changes in costs will have a greater overall impact on the Budget and so should be monitored closely.

The Scottish Government urgently needs to collect better data on its public bodies' workforce and the impact of reforms

56. To ensure its workforce is sustainable, the Scottish Government must have an overarching understanding of its size and cost, what services this workforce provides, and what size and skills it will require of its workforce in the medium term.

57. This is especially important given the urgent need for reform. Understanding how the workforce can be used differently or supported through new ways of delivering services is vital. Without a strong understanding of the existing workforce and planned reforms in public bodies individually, there is a risk that the focus will fall purely on controlling workforce numbers and pay costs alone.

58. The Scottish Government wrote to all public bodies in January 2023, requesting information data and projections on total funding received, staffing levels (FTE), and staffing as a proportion of total spending.

59. It is important that the Scottish Government maintains comparable data over time to inform engagement with public bodies about the extent of reform under way and its impact on workforce costs.

60. The Scottish Government sent follow-up letters to public bodies in August. These letters requested information on:

- How the public bodies will manage their cost pressures in 2024/25
- what cost and demand pressures public bodies expect to face in future years and what impact this will have on their ability to deliver outcomes
- what steps bodies are taking to manage any these pressures, and how these will support improved outcomes
- any risks and barriers to managing pressures while improving outcomes, and what actions Scottish Government can take to help address them.

61. It is unclear how the information received from this process will be compiled and used by the Scottish Government. It is also unclear whether information on workforce numbers and spending will be requested annually or as a one-off exercise.

Reform takes time, making planning for change an urgent task

62. The [Auditor General reported in November 2022](#) that the pace and scale of reform needs to increase. If that does not happen, it will become increasingly difficult for the Scottish Government to manage the pressures on the budget. This means that the cuts to spending necessary to balance the budget will become larger, and the quality of public services delivered will worsen.

63. The [Scottish Government makes clear that](#) ‘pay and workforce must more than ever be explicitly linked to both fiscal sustainability and reform to secure the delivery of sustainable and effective public services.’

64. [Paragraph 36](#) highlights some of the immediate changes to the workforce that public bodies are making. It is clear that reducing staff numbers or controlling pay costs will not be enough to meet the Scottish Government’s service commitments nor to make these services affordable.

65. Reform measures are likely to involve people working in different ways to deliver services. In the MTFs, the Scottish Government has set out four workstreams for reform, including:

- Public bodies and public service reform. The Scottish Government has committed to target both short-term efficiencies and a ten-year programme of reform to achieve effective and person-centred, fiscally sustainable public services.
- ‘Efficiency levers’ that will support this, including:

- digital reform, including delivery of modern digital public services
 - shared services, such as an increase in collaborative working between public bodies and more shared functions such as sharing finance and HR departments
 - public sector estates, by developing a more efficient approach to public sector property management
 - procurement, to maximise the impact of new spending
 - grant management, to improve the management and value for money of grants issued by public bodies.
- Revenue raising, to maximise the funding available to support our public services.
 - Pay sustainability, which will link pay and workforce to reform and fiscal sustainability.

66. The Scottish Government is developing its approaches to delivering these, but this will take time to do and then to implement. The results of this for financial sustainability may take several years to realise. If these reforms are not implemented in line with the Scottish Government’s ambitions, or if they take longer to achieve than expected, the Scottish Government may need to revisit its spending on its priorities and commitments, and it may have to decide which services it will provide differently, which it will provide less of, and which services it will stop providing all together.

Workforce planning remains essential

67. Planning and managing a changing workforce within a period of reform is a difficult task for the Scottish Government. It will rely on strong working relationships and the sharing of workforce plans across public bodies in Scotland. The Auditor General and the Accounts Commission have previously identified that to manage their workforces effectively, public sector organisations need to have up-to-date information on:

- the numbers of people they employ to carry out different tasks
- what skills the workforce has and where there are gaps
- what skills and staff will be needed to deliver future services and priorities.

68. Workforce planning remains essential at an organisational level. In [NHS in Scotland 2022](#), the Auditor General noted that there was little evidence of progress in improving the data available for workforce planning in the NHS, and in the Auditor General’s recent [climate change audit](#), it was identified that there had been no workforce plan in place for the DG Net Zero area since it was established in November 2021.

Looking forward

69. The public sector workforce in Scotland is the backbone of public service delivery for Scottish citizens. Workforce accounts for around half of the total costs of the Scottish Government and its public bodies. Inflation means pay costs are higher than expected, and this has brought financial pressures as pay costs have grown. Compared to the Scottish Government's main expectations in the Public Sector Pay Strategy, an additional £785 million in pay deals have been agreed so far in 2023/24, and it is currently not clear how these will be funded.

70. In [Scotland's public finances: challenges and risks](#), the Auditor General set out the urgent case for the reform of public services. Since then, the Scottish Government has confirmed in its medium-term plans that without this reform, public services in Scotland are not sustainable.

71. The Scottish Government's approach to reform includes workforce as a key component, and its medium term plans rely on slower workforce growth. An approach focused purely on controlling workforce numbers and pay costs will not address capacity issues and is unlikely to be sufficient to put public finances on an even keel. Reform must deliver services differently, supporting the Scottish Government workforce to manage this change, rather than simply doing more with less.

72. No two public bodies in Scotland are the same. Each faces unique challenges in building an effective and affordable workforce. Workforce costs make up a high percentage of overall costs for some than others. The Scottish Government's approach to managing workforce reform through its budget must also reflect these differences.

73. The Scottish Government has set out its planned efficiency levers to help manage the budget over the medium term. These include better use of digital, shared services and changes to use of the public sector estate. It will take time however, to see the full financial effect of these levers.

74. The Scottish Government has an important convening role in understanding how over 100 public bodies are managing changing finances and workforce levels. Heightened engagement with public bodies will help the Scottish Government mitigate the risks to service delivery and the wellbeing of staff. Building high-quality, timely workforce data across public bodies will enable more targeted reform decisions over the longer term.

75. Marginal overspends on workforce costs, or other costs, in larger public bodies (such as NHS boards) will have a greater impact on the budget and be more difficult to manage in-year. Health and social care is a priority for the Scottish Government and the Medium-Term Financial Strategy is clear that where overspends occur in priority areas, costs will be met from other areas of the budget. As such, close financial monitoring and regular engagement with larger organisations is vital.

Appendix

Methodology

76. We have found that comparable workforce data on a public body by public body basis is not readily available. For this paper we have used information included within audited accounts. This information is subject to time delay, given that the information is not reported and audited until after the end of the financial year.

77. We included the following Scottish public bodies in our analysis:

- all central government bodies – agencies, NDPBs, and other bodies (for example, non-ministerial departments such as Revenue Scotland and public corporations such as Scottish Water)
- NHS Territorial and national health boards
- incorporated further education colleges.

78. Private practices, in particular GP practices, are not included in our analysis. GPs are mostly self-employed and are responsible for employing their own staff, including other salaried GPs. Practices are contracted by NHS boards to provide primary care services.

79. Third sector partners, such as charities, social enterprises, voluntary organisations and public social partnerships are not included in our analysis. The Scottish Government and other public bodies often work with such partners, including funding certain activities. Public sector accounts will not include workforce elements of such payments and they make up a relatively small proportion of the Scottish Budget.

80. There is no publicly available list setting out what bodies should appropriately be included in this analysis, but the Scottish Government have shared a list with us including the bodies they use in their analysis. We have used this as the basis of our analysis (although we have excluded teachers and associated teaching professionals, and other local government staff).

81. For these bodies, we have extracted staff costs and staff numbers as reported in the remuneration and staff report of the annual accounts. This includes wages and salaries; social security costs; other pension costs.

82. There are some significant caveats around the use of this data. The accounts are prepared for each single entity within the public sector and they are not prepared for consolidation purposes. The numbers need to be consistent year on year, but they do not necessarily need to be prepared in the exact same way across all of the different public sector bodies. For example, some bodies may

include technical accounting costs as part of their staff costs, and other bodies may exclude this. We have tried to exclude these costs where identified.

83. Our analysis of the accounts primarily covers 2018/19 to 2021/22, although the information for colleges is collected on an academic, rather than financial, year basis. The 2022/23 annual accounts for public bodies are not all available at time of writing.

Central government		
Accountant in Bankruptcy	Mental Welfare Commission for Scotland	Scottish Funding Council
Architecture and Design Scotland	National Galleries of Scotland	Scottish Government
Bord na Gaidhlig	National Library of Scotland	Scottish Housing Regulator
Cairngorms National Park Authority	National Museums Scotland	Scottish Land Commission
Caledonian Maritime Assets Ltd	National Records of Scotland	Scottish Legal Aid Board
Care Inspectorate Scotland	NatureScot	Scottish Legal Complaints Commission
Children's Hearings Scotland	Office of the Scottish Charity Regulator	Scottish National Investment Bank
Community Justice Scotland	Police Investigations and Review Commissioner	Scottish Prison Service
Creative Scotland	Registers of Scotland	Scottish Public Pensions Agency
Crofting Commission	Revenue Scotland	Scottish Qualifications Authority
Crown Estate Scotland	Risk Management Authority	Scottish Social Services Council
Crown Office and Procurator Fiscal Service	Royal Botanic Garden Edinburgh	Scottish Water
Disclosure Scotland	Scottish Canals	Skills Development Scotland
Education Scotland	Scottish Children's Reporter Administration	Social Security Scotland
Food Standards Scotland	Scottish Courts and Tribunals Service	South of Scotland Enterprise Agency
Forestry and Land Scotland	Scottish Criminal Cases Review Commission	Sportscotland
Highlands and Islands Airports	Scottish Enterprise	Student Awards Agency for Scotland
Highlands and Islands Enterprise	Scottish Environmental Protection Agency	Transport Scotland
Historic Environment Scotland	Scottish Fiscal Commission	VisitScotland
Independent Living Fund Scotland	Scottish Forestry	Water Industry Commission for Scotland
Loch Lomond and the Trossachs NPA	Scottish Funding Council	

NHS

Golden Jubilee University National Hospital	NHS Forth Valley	NHS Orkney
Healthcare Improvement Scotland	NHS Grampian	NHS Shetland
NHS 24	NHS Greater Glasgow and Clyde	NHS Tayside
NHS Ayrshire and Arran	NHS Health Scotland	NHS Western Isles
NHS Borders	NHS Highland	Public Health Scotland
NHS Dumfries and Galloway	NHS Lanarkshire	Scottish Ambulance Service
NHS Education for Scotland	NHS Lothian	The State Hospital
NHS Fife	NHS National Services Scotland	

Further education colleges

Ayrshire College	Forth Valley College	New College Lanarkshire
Borders College	Glasgow Clyde College	North East Scotland College
City of Glasgow College	Glasgow College Regional Board	North Highland College
Dumfries and Galloway College	Glasgow Kelvin College	Perth College
Dundee and Angus College	Inverness College	South Lanarkshire College
Edinburgh College	Lewis Castle College	West College Scotland
Fife College	Moray College	West Lothian College

Police and Fire

Scottish Fire and Rescue Service	Scottish Police Authority
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Endnotes

- 1** Scottish Government statistics, public sector including major reclassifications.
- 2** Over 50,000 people FTE work for the UK Government in reserved areas, for example the military, or staff in UK departments administering reserved UK benefits. This workforce is out of scope for our paper.
- 3** Based on the comparison of the resource departmental expenditure limits for 1999/00 to the total resource budget for 2022/23. Sources: Departments of the Secretary of State for Scotland and the Forestry Commission, [Expenditure Plans 1999-00 to 2001-02](#), March 1999, and Scottish Government, [Scottish Budget 2022-23, December 2022](#). Real terms analysis in 2023/24 prices.
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