

25 April 2025

From: [redacted S.38(1)(b)] On Behalf Of Minister for Public Finance

Sent: 25 April 2025 19:26

To: [redacted S.38(1)(b)]; Minister for Public Finance <MinisterPF@gov.scot>

Cc: Kate Higgins <Kate.Higgins@gov.scot>; Mary McAllan

<Mary.McAllan@gov.scot>; Simon Mair <Simon.Mair@gov.scot>; [redacted S.38(1)(b)]

Subject: RE: Updated copy of draft strategy

[redacted S.38(1)(b)]

I have sent this over to the Minister and flagged to him.

It is worth noting that the Minister has suggested we take a SCANCE to Cabinet on Tuesday with an update. This could be oral given timings. Mr McKee has said that we can discuss on the PSR call on Monday AM.

Thanks,

[redacted S.38(1)(b)]

[redacted S.38(1)(b)]

Private Secretary

Minister for Public Finance

[redacted S.38(1)(b)]

All e-mails and attachments sent by a Ministerial Private Office to any other official on behalf of a Minister relating to a decision, request or comment made by a Minister, or a note of a Ministerial meeting, must be filed appropriately by the recipient. Private Offices do not keep official records of such e-mails or attachments.

Scottish Ministers, Special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

28 April 2025

From: [redacted S.38(1)(b)] On Behalf Of Minister for Public Finance

Sent: 28 April 2025 10:09

To: [redacted S.38(1)(b)]

Cc: DG Scottish Exchequer Mailbox <DGScottishExchequer@gov.scot>; [redacted S.38(1)(b)]>; Simon Mair <Simon.Mair@gov.scot>; Geoff Huggins

<Geoff.Huggins@gov.scot>; Morag Angus <Morag.Angus@gov.scot>; Jamie

MacDougall <Jamie.MacDougall@gov.scot>; Richard McCallum

<Richard.McCallum@gov.scot>; Jonathon Curry <Jonathon.Curry@gov.scot>;

Simon Mair <Simon.Mair@gov.scot>; Brian Reid <Brian.Reid2@gov.scot>; Brian Dornan <Brian.Dornan@gov.scot>; Audrey MacDougall <Audrey.MacDougall@gov.scot>; Geoff Huggins <Geoff.Huggins@gov.scot>; Kate Higgins <Kate.Higgins@gov.scot>; Richard McCallum <Richard.McCallum@gov.scot>; Mary McAllan <Mary.McAllan@gov.scot> [redacted S.38(1)(b)]; Nick Ford <Nick.Ford@gov.scot>; David Hutchison <David.Hutchison@gov.scot>; Jamie MacDougall <Jamie.MacDougall@gov.scot>; Jonathon Curry <Jonathon.Curry@gov.scot>; Anna Kynaston <Anna.Kynaston@gov.scot>; Lisa Mcguinness <Lisa.Mcguinness@gov.scot>; Lesley Fraser <Lesley.Fraser@gov.scot>; Chief Surveyor <Chief.Surveyor@gov.scot>; DG Strategy and External Affairs <DGSEA@gov.scot>; Cabinet Secretary for Finance & Local Government <CabSecFLG@gov.scot>; Cabinet Secretariat Inbox CabinetSecretariat@gov.scot; [redacted S.38(1)(b)]

Subject: FW: Draft PSR SCANCE to discuss on 10am call

[redacted S.38(1)(b)]

As discussed on the portfolio meeting this morning. Please see below suggested written SCANCE note on PSR for Mr McKee to take to Cabinet tomorrow.

[redacted S.38(1)(b)] suggested we may want to refer to the Public body landscape review and you raised the £1bn figure and the issues around using that specific figure.

Can I please receive a final draft as soon as possible in order to meet Cabinet Secretariat's deadline of 11am. Please use the attached template.

Cabinet Secretariat – apologies for the delay. Will get this to you as soon as we can.

Thanks,

[redacted S.38(1)(b)]

[redacted S.30(b)(ii)]

[redacted S.38(1)(b)]

Private Secretary
Minister for Public Finance

[redacted S.38(1)(b)]

All e-mails and attachments sent by a Ministerial Private Office to any other official on behalf of a Minister relating to a decision, request or comment made by a

Minister, or a note of a Ministerial meeting, must be filed appropriately by the recipient. Private Offices do not keep official records of such e-mails or attachments.

Scottish Ministers, Special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

28 April 2025

From: **[redacted S.38(1)(b)]** On Behalf Of Minister for Public Finance

Sent: 28 April 2025 11:19

To: Minister for Public Finance <MinisterPF@gov.scot>; **[redacted S.38(1)(b)]**

Cc: **[redacted S.38(1)(b)]** >; DG Scottish Exchequer Mailbox <DGScottishExchequer@gov.scot>;; Simon Mair <Simon.Mair@gov.scot>; Geoff Huggins <Geoff.Huggins@gov.scot>; Morag Angus <Morag.Angus@gov.scot>;; Jamie MacDougall <Jamie.MacDougall@gov.scot>; Richard McCallum <Richard.McCallum@gov.scot >; Jonathon Curry <Jonathon.Curry@gov.scot>; Simon Mair <Simon.Mair@gov.scot>; Brian Reid <Brian.Reid2@gov.scot>; Brian Dornan <Brian.Dornan@gov.scot>; Audrey MacDougall <Audrey.MacDougall@gov.scot>; Geoff Huggins <Geoff.Huggins@gov.scot>; Kate Higgins <Kate.Higgins@gov.scot>; Richard McCallum <Richard.McCallum@gov.scot>; Mary McAllan <Mary.McAllan@gov.scot>;; Myra Binnie <Myra.Binnie@gov.scot>; Nick Ford <Nick.Ford@gov.scot>; David Hutchison <David.Hutchison@gov.scot>; Jamie MacDougall <Jamie.MacDougall@gov.scot>; Jonathon Curry <Jonathon.Curry@gov.scot>; Anna Kynaston <Anna.Kynaston@gov.scot>; >; Lisa Mcguinness <Lisa.Mcguinness@gov.scot>; Lesley Fraser <Lesley.Fraser@gov.scot>;; Chief Surveyor <Chief.Surveyor@gov.scot>; DG Strategy and External Affairs <DGSEA@gov.scot>; Cabinet Secretary for Finance & Local Government <CabSecFLG@gov.scot>; Cabinet Secretariat Inbox <CabinetSecretariat@gov.scot>
Subject: RE: Draft PSR SCANCE to discuss on 10am call

For clarity for Cabinet Secretariat, this should be written.

[redacted S.38(1)(b)]

Private Secretary

Minister for Public Finance

[redacted S.38(1)(b)]

All e-mails and attachments sent by a Ministerial Private Office to any other official on behalf of a Minister relating to a decision, request or comment made by a Minister, or a note of a Ministerial meeting, must be filed appropriately by the recipient. Private Offices do not keep official records of such e-mails or attachments.

Scottish Ministers, Special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

From: [redacted S.38(1)(b)] On Behalf Of Minister for Public Finance

Sent: 28 April 2025 11:18

To: [redacted S.38(1)(b)] Minister for Public Finance <MinisterPF@gov.scot>

Cc: DG Scottish Exchequer Mailbox <DGScottishExchequer@gov.scot>; [redacted S.38(1)(b)]>; Simon Mair <Simon.Mair@gov.scot>; Geoff Huggins <Geoff.Huggins@gov.scot>; Morag Angus <Morag.Angus@gov.scot>; Jamie MacDougall <Jamie.MacDougall@gov.scot>; Richard McCallum <Richard.McCallum@gov.scot>; Jonathon Curry <Jonathon.Curry@gov.scot>; Simon Mair <Simon.Mair@gov.scot>; Brian Reid <Brian.Reid2@gov.scot>; Brian Dornan <Brian.Dornan@gov.scot>; Audrey MacDougall <Audrey.MacDougall@gov.scot>; Geoff Huggins <Geoff.Huggins@gov.scot>; Kate Higgins <Kate.Higgins@gov.scot>; Richard McCallum <Richard.McCallum@gov.scot>; Mary McAllan <Mary.McAllan@gov.scot>; >; Nick Ford <Nick.Ford@gov.scot>; David Hutchison <David.Hutchison@gov.scot>; Jamie MacDougall <Jamie.MacDougall@gov.scot>; Jonathon Curry <Jonathon.Curry@gov.scot>; Anna Kynaston <Anna.Kynaston@gov.scot>; Lisa McGuinness <Lisa.Mcguinness@gov.scot>; Lesley Fraser <Lesley.Fraser@gov.scot>; Chief Surveyor <Chief.Surveyor@gov.scot>; DG Strategy and External Affairs <DGSEA@gov.scot>; Cabinet Secretary for Finance & Local Government <CabSecFLG@gov.scot>; Cabinet Secretariat Inbox <CabinetSecretariat@gov.scot>

Subject: RE: Draft PSR SCANCE to discuss on 10am call

[redacted S.38(1)(b)], Cabinet Secretariat,

Mr McKee is content.

With thanks to all for the very quick turnaround.

Thanks,

[redacted S.38(1)(b)]

[redacted S.38(1)(b)]

Private Secretary

Minister for Public Finance

[redacted S.38(1)(b)]

All e-mails and attachments sent by a Ministerial Private Office to any other official on behalf of a Minister relating to a decision, request or comment made by a Minister, or a note of a Ministerial meeting, must be filed appropriately by the recipient. Private Offices do not keep official records of such e-mails or attachments.

Scottish Ministers, Special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

From: [redacted S.38(1)(b)]

Sent: 28 April 2025 11:14

To: Minister for Public Finance <MinisterPF@gov.scot>
Cc: DG Scottish Exchequer Mailbox <DGScottishExchequer@gov.scot>; [redacted S.38(1)(b)] ; Simon Mair <Simon.Mair@gov.scot>; Geoff Huggins <Geoff.Huggins@gov.scot>; Morag Angus <Morag.Angus@gov.scot>; [redacted S.38(1)(b)]; Jamie MacDougall <Jamie.MacDougall@gov.scot>; [redacted S.38(1)(b)] Richard McCallum <Richard.McCallum@gov.scot>; Jonathon Curry <Jonathon.Curry@gov.scot>; Simon Mair <Simon.Mair@gov.scot>; Brian Reid <Brian.Reid2@gov.scot>; Brian Dornan <Brian.Dornan@gov.scot>; Audrey MacDougall <Audrey.MacDougall@gov.scot>; Geoff Huggins <Geoff.Huggins@gov.scot>; Kate Higgins <Kate.Higgins@gov.scot>; [redacted S.38(1)(b)] Richard McCallum <Richard.McCallum@gov.scot>; Mary McAllan <Mary.McAllan@gov.scot>; [redacted S.38(1)(b)] ; Nick Ford <Nick.Ford@gov.scot>; David Hutchison <David.Hutchison@gov.scot>; Jamie MacDougall <Jamie.MacDougall@gov.scot>; Jonathon Curry <Jonathon.Curry@gov.scot>; Anna Kynaston <Anna.Kynaston@gov.scot>; >; Lisa Mcguinness <Lisa.Mcguinness@gov.scot>; Lesley Fraser <Lesley.Fraser@gov.scot>; [redacted S.38(1)(b)]>; Chief Surveyor <Chief.Surveyor@gov.scot>; DG Strategy and External Affairs <DGSEA@gov.scot>; Cabinet Secretary for Finance & Local Government <CabSecFLG@gov.scot>; Cabinet Secretariat Inbox <CabinetSecretariat@gov.scot>
Subject: RE: Draft PSR SCANCE to discuss on 10am call

Hi [redacted S.38(1)(b)]

This has been done at pace and I've not been able to engage colleagues on the speaking note element – but please find draft attached

Thanks,
[redacted S.38(1)(b)]

22 May 2025

From: [redacted S.38(1)(b)] On Behalf Of Minister for Public Finance
Sent: 24 May 2025 11:40
To: [redacted S.38(1)(b)]
Cc: DG Strategy and External Affairs <DGSEA@gov.scot>; Mary McAllan <Mary.McAllan@gov.scot>; Simon Mair <Simon.Mair@gov.scot>; DG Scottish Exchequer Mailbox <DGScottishExchequer@gov.scot>; [redacted S.38(1)(b)] Richard McCallum <Richard.McCallum@gov.scot>; Jennie Barugh <Jennie.Barugh@gov.scot>; Katherine White <Katherine.White@gov.scot>; Jamie MacDougall <Jamie.MacDougall@gov.scot>; [redacted S.38(1)(b)] >; Kate Higgins <Kate.Higgins@gov.scot>; David Hutchison <David.Hutchison@gov.scot>; Angus Macleod <Angus.Macleod@gov.scot>; Minister for Public Finance <MinisterPF@gov.scot>; Cabinet Secretary for Finance & Local

Government <CabSecFLG@gov.scot>
Subject: RE: Submission: PSR efficiency target

Hi **[redacted S.38(1)(b)]**

Mr McKee has given the following comments:

Firstly to confirm we are all using the same basis for calculation, the savings numbers I assume are Real Terms savings (ie we calculated what costs would be in 2029-30 if we applied inflation increases to today's cost base, and the savings articulated are how much lower our spend will be in 2029-30 than if they simply increased by inflation)

To confirm he is comfortable with articulating the £1bn savings target in the PSR Strategy.

[redacted - S.30(b)(ii)]

If officials can reflect on this and then we can have a call during the week to go through any concerns you have , **[redacted S.30(b)(ii)]**

TABLE 2 from Submission Annex A.

		NHS Boards Non- Staff	NHS Boards Staff	Staff (excl NHS Boards)	Other (Non- staff, Non- NHS)	Total
2	£m					
PB Corporate Functions' spend 22/23	3,573	1,430	527	288	1,328	3,573
Restated to 2024/25 prices (A)	3,926	1,604	547	316	1,460	3,926
SG TOC Full Year Forecast 2024/25* (B)	817	0		817		817
Estimate of 2024-25 expenditure (A+B)	4,744	1,604	547	1,133	1,460	4,743
20% efficiency	949	321	109	227	292	949

Thanks

[redacted S.38(1)(b)]

[redacted S.38(1)(b)] Deputy Private Secretary | Cabinet Secretary for Finance and Local Government – Shona Robison MSP | Scottish Government | St Andrew's House | Regent Road | Edinburgh | EH1 3DG | **[redacted S.38(1)(b)]** | E: CabSecFLG@gov.scot

All e-mails and attachments sent by a Ministerial Private Office to any other official on behalf of a Minister relating to a decision, request or comment made by a Minister, or a note of a Ministerial meeting, must be filed appropriately by the recipient.

Private Offices do not keep official records of such e-mails or attachments. Scottish Ministers, Special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

From: [redacted S.38(1)(b)]

Sent: 22 May 2025 21:09

To: Minister for Public Finance <MinisterPF@gov.scot>; Cabinet Secretary for Finance & Local Government <CabSecFLG@gov.scot>

Cc: DG Strategy and External Affairs <DGSEA@gov.scot>; Mary McAllan <Mary.McAllan@gov.scot>; Simon Mair <Simon.Mair@gov.scot>; [redacted S.38(1)(b)] >; DG Scottish Exchequer Mailbox <DGScottishExchequer@gov.scot>; Richard McCallum <Richard.McCallum@gov.scot>; Jennie Barugh <Jennie.Barugh@gov.scot>; Katherine White <Katherine.White@gov.scot>; Jamie MacDougall <Jamie.MacDougall@gov.scot>; [redacted S.38(1)(b)] >; Kate Higgins <Kate.Higgins@gov.scot>; David Hutchison <David.Hutchison@gov.scot>; [redacted S.38(1)(b)]

Subject: Submission: PSR efficiency target

PS/Minister for Public Finance

PS/Cabinet Secretary for Finance and Local Government

Please find attached a submission on the PSR strategy efficiency target.

The advice has been developed with input from colleagues in DG Exchequer

With best wishes,

[redacted S.38(1)(b)]

[redacted S.38(1)(b)]

Directorate for Public Service Reform

[redacted S.38(1)(b)]

Please note my non-working day is Tuesday.

30 May 2025

From: [redacted S.38(1)(b)] On Behalf Of Minister for Public Finance

Sent: 30 May 2025 17:15

To: [redacted S.38(1)(b)] Minister for Public Finance <MinisterPF@gov.scot>; Cabinet Secretary for Finance & Local Government <CabSecFLG@gov.scot>

Cc: DG Strategy and External Affairs <DGSEA@gov.scot>; Mary McAllan <Mary.McAllan@gov.scot>; Simon Mair <Simon.Mair@gov.scot>; [redacted S.38(1)(b)] >; DG Scottish Exchequer Mailbox <DGScottishExchequer@gov.scot>;

Richard McCallum <Richard.McCallum@gov.scot>; Jennie Barugh <Jennie.Barugh@gov.scot>; Katherine White <Katherine.White@gov.scot>; Jamie MacDougall <Jamie.MacDougall@gov.scot>; **[redacted S.38(1)(b)]** >; Kate Higgins <Kate.Higgins@gov.scot>; David Hutchison <David.Hutchison@gov.scot>

Subject: RE: Submission: PSR and FSDP - narrative on targets

This email is for the official record and confirms a Ministerial Decision. This email must be placed in the official record (eRDM) by your team [in line with SG records management policy](#).

Hi **[redacted S.38(1)(b)]**

Mr McKee has noted and is content with this approach.

Thanks,

[redacted S.38(1)(b)]

[redacted S.38(1)(b)]

Private Secretary
Minister for Public Finance

[redacted S.38(1)(b)]

All e-mails and attachments sent by a Ministerial Private Office to any other official on behalf of a Minister relating to a decision, request or comment made by a Minister, or a note of a Ministerial meeting, must be filed appropriately by the recipient. Private Offices do not keep official records of such e-mails or attachments.

Scottish Ministers, Special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

From: **[redacted S.38(1)(b)]**

Sent: 30 May 2025 16:45

To: Minister for Public Finance <MinisterPF@gov.scot>; Cabinet Secretary for Finance & Local Government <CabSecFLG@gov.scot>

Cc: DG Strategy and External Affairs <DGSEA@gov.scot>; Mary McAllan <Mary.McAllan@gov.scot>; Simon Mair <Simon.Mair@gov.scot>; **[redacted**

S.38(1)(b)] >; DG Scottish Exchequer Mailbox <DGScottishExchequer@gov.scot>;

Richard McCallum <Richard.McCallum@gov.scot>; Jennie Barugh

<Jennie.Barugh@gov.scot>; Jamie MacDougall <Jamie.MacDougall@gov.scot>;

[redacted S.38(1)(b)]>; Kate Higgins <Kate.Higgins@gov.scot>; David Hutchison <David.Hutchison@gov.scot>

Subject: Submission: PSR and FSDP - narrative on targets

PS/Minister for Public Finance

PS/Cabinet Secretary for Finance and Local Government

Please find attached a submission on the PSR £1 billion corporate functions efficiency target, the £2 billion in the FSDP, how these two figures relate, and an indicative draft narrative.

With best wishes,

[redacted S.38(1)(b)]

[redacted S.38(1)(b)]

Directorate for Public Service Reform

[redacted S.38(1)(b)]

Please note my non-working day is Tuesday.

11 June 2025

Hi **[redacted S.38(1)(b)]**

Mr McKee is content.

Grateful for the eRDM link.

Thanks

[redacted S.38(1)(b)]

[redacted S.38(1)(b)] Deputy Private Secretary | Cabinet Secretary for Finance and Local Government – Shona Robison MSP | Scottish Government | St Andrew's House | Regent Road | Edinburgh | EH1 3DG | **[redacted S.38(1)(b)]** | E: CabSecFLG@gov.scot

All e-mails and attachments sent by a Ministerial Private Office to any other official on behalf of a Minister relating to a decision, request or comment made by a Minister, or a note of a Ministerial meeting, must be filed appropriately by the recipient.

Private Offices do not keep official records of such e-mails or attachments. Scottish Ministers, Special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

From: **[redacted S.38(1)(b)]**

Sent: 30 May 2025 10:52

To: Minister for Public Finance <MinisterPF@gov.scot>

Cc: Simon Mair <Simon.Mair@gov.scot>; Katherine White <Katherine.White@gov.scot>; Jamie MacDougall <Jamie.MacDougall@gov.scot>;

[redacted S.38(1)(b)]

Subject: Note of meeting with PSR & Exchequer officials - Thursday 29 May

Dear **[redacted S.38(1)(b)]**

Please find below of yesterday's meeting, grateful if you can let me know if the Minister is content

Advice will follow shortly

With best wishes,

[redacted S.38(1)(b)]

Efficiencies target discussion
Thursday 29 May (1045-1130)

Attendees: Minister for Public Finance (IM); **[redacted S.38(1)(b)]**

Kat White (Kat White); Jamie MacDougall (JM); **[redacted S.38(1)(b)]**

Simon Mair (SM); **[redacted S.38(1)(b)]**

PSR £1 billion corporate function efficiency target

- The Minister reiterated that the £1 billion figure would feature in the strategy
- Based on previous advice, it was noted the £1 billion is credible albeit stretching, and there is sufficient evidence to indicate this is the case
- **[redacted S.29(1)(a)]**
- **[redacted S.29(1)(a)]**
- **[redacted S.29(1)(a)]**
- Minister acknowledged that at this time we do not have a specific plan for each pound of savings **but** it is important to challenge all parts of Scottish Government and public bodies to make savings – and this approach offers a way forward in terms of scrutiny and challenge.
- The Minister agreed these figures were not intended to be a specific set of line-by-line targets.
- **The [redacted S.30(b)(ii)]**
- The Minister set out between the various efficiency programmes, commitments in the strategy and the significant savings in health he was content there was a route to £1 billion
- It was noted it is important to have a stretch/ambitious target to demonstrate how seriously we take the change required – specifically to deliver cash releasing savings – and that we need to ensure there is sufficient flexibility to accommodate change over the next five years.
- Mr McKee also noted this is about moving from now to the end state of a £1 billion reduction. Minister accepts there will likely be a need for investment along that journey; with the Invest to Save fund an early part of that support.
- It was noted it would be helpful that Mr McKee and Ms Robison jointly present their thinking to Cabinet.

The relationship between PSR and FSDP

- It was noted that there is a potential presentational issue of £1 billion of savings being announced on 19 June with £2 billion announced the following week
- The immediate distinguishing factor is that the PSR savings target is about corporate functions of Scottish Government and public bodies only
- There was a brief discussion of the differences between the two:
 - The FSDP is looking at projected figures – this means the intention is to grow key funding areas (health, LG) but to reduce the steepness of the growth gradient through making savings
 - **[redacted S.30(b)(ii)]**
 - The PSR strategy is a nominal figure in that it is a 20% cut of the overall corporate function spend. This is based on data on previous spend. The evidence base indicates this is achievable, if stretching.
- While the figures have been generated via different approaches; the key point is that the PSR efficiencies £1 billion will contribute to overall fiscal sustainability and therefore the £2 billion. There are elements of savings that are common between the two targets.
- **[redacted S.30(b)(ii)]**
- It is important that the distinctions are clear

Officials to provide a document setting out the definitions and proposed narrative ahead of the Cabinet meeting (3 June)

Other

- There was a brief discussion of some ‘nervousness’ amongst public bodies about the implication that the ‘back office’ was being undervalued. The ‘back office’ is required to enable and support front line staff.
- The Minister noted that this was not the narrative in the strategy and there was discussion about the recent ‘front line’ commission. Mr McKee agreed to speak with public bodies to set out further the detail and rationale (**[redacted S.38(1)(b)]** to take forward)
- The Minister confirmed he wished to press ahead with the portfolio meeting on Monday 2 June
- There was a brief discussion of the programmes (specifically justice and mental health) within the latest draft of the PSR strategy and options for improving the articulation of this section. **SM** to identify some strong examples from outside of Scottish Government. The Minister agreed to discuss further following Cabinet discussion.
- There was a brief discussion of the pressures on the Minister’s diary with the Minister noting he would be looking to prioritise engagement, particularly with unions, on the PSR strategy in the next couple of weeks
- **[redacted S.38(1)(b)]** to submit speaking note to the Minister ahead of Cabinet on 3 June

[redacted S.38(1)(b)]

Directorate for Public Service Reform

[redacted S.38(1)(b)]

Please note my non-working day is Tuesday.

**Minister for Public Finance
Cabinet Secretary for Finance and Local Government**

Public Service Reform and Fiscal Sustainability Delivery Plan

Priority and Purpose

1. This is an urgent submission setting out a proposed narrative to aid with distinguishing between the £1 billion corporate function efficiencies target in the Public Service Reform (PSR) strategy and the route to closing the £2 billion fiscal gap in the Fiscal Sustainability Delivery Plan (FSDP).

Recommendation

2. This submission recommends that you consider the indicative narrative and give officials a steer whether this is the right tone and sufficiently clear

Context and Issues

3. As the Minister is aware, the PSR strategy will publish on 19 June with the Medium Term Financial Strategy (MTFS) and Fiscal Sustainability Delivery Plan (FSDP) the following week. The issue that has arisen is ensuring clarity between the £1 billion corporate function efficiency target and the route to closing the £2 billion fiscal gap.
4. The Minister is asked to note that the final form of both the strategy and FSDP are due to Cabinet on 3 June and will be subject to development/refinement based on Cabinet commentary. This advice therefore represents an indicative narrative, subject to further refinement in line with Cabinet commentary.

Options Considered and Advice

5. The following section sets out a brief overview of the distinctions between the two targets

PSR strategy

6. The PSR strategy will contain the following commitment: *Over the next 5 years we will reduce annualised Scottish Government and public body corporate costs by £1 billion, representing around 20% of the identified public body corporate and core government operating costs*
7. This is based on a 20% 'cut' of identified costs; this is a 'top down' target. As set out in previous advice there is sufficient evidence that this is achievable. It does not negate the fact that it is challenging and should be considered a 'stretch' target
8. There is not currently a fully costed plan to deliver those reductions i.e. taking cost out of corporate functions in Scottish Government and public bodies. We expect, but cannot currently size, a contribution to this £1 billion will be through headcount

OFFICIAL SENSITIVE

reductions, linked to improved efficiency. As discussed with the Minister it is not possible to be prescriptive about how this £1 billion is achieved, it is also not necessarily desirable to do so and we will give further thought to the flexibility we may wish to offer in achieving this target across the piece.

Fiscal Sustainability Delivery Plan

9. The FSDP must set out a credible route to close a £2 billion fiscal gap in 2029-30.

10. The FSDP requires us to reduce the pressure on public finances and to slow down the rate of growth in spending, as this is currently outstripping funding growth, leading to the forecast fiscal gap. It is important to note that this is not necessarily about cuts but about reducing the forecast growth in spending.

11. **[redacted S.29(1)(a)]**

12. It is not possible to be prescriptive at this stage about the exact way in which FSDP savings will be delivered. This will be further developed through the upcoming Spending Review process and as such we are not planning to include detailed breakdowns of the above figures in the FSDP.

How the two figures align

13. The £1 billion under the PSR strategy is part of the contribution to the £2 billion required to close the fiscal gap and supports each of the three FSDP strands of savings: NHS, workforce, and other portfolio efficiencies.

14. **[redacted S.30(b)(ii)]**

15. The table in Annex A, as per previous advice, sets out the detailed alignment between the overarching FSDP strand and the PSR corporate efficiency target

Assessment of Options

16. While the distinctions and connections between the two figures are relatively well understood internally, this must be simple to explain to an external audience.

17. On that basis officials are proposing the below **indicative** narrative for the Minister's consideration.

What is 'in' the £1 billion target?

Undoubtedly the fiscal environment is challenging. The Government is committed to maintaining and improving public services, to provide the services that the people of Scotland need and deserve.

As part of the Public Service Reform Strategy I am setting a challenging, but deliverable target for reducing our spend on corporate functions across Scottish Government and public bodies. I intend to take out 20% of that cost, which equates to £1 billion over the next five years.

OFFICIAL SENSITIVE

This is a challenge to everyone to reduce the cost of doing business in order to prioritise the front line. It is about taking all available opportunities to deliver a more efficient system – automation, digitisation, estate rationalisation, changing the delivery landscape, and yes we must be ready to make changes to our workforce.

Next week the Cabinet Secretary will set out how we intend to tackle the fiscal gap and the steps we will take to continue to invest in core service areas. This focus on corporate functions is a contribution to that overall approach.

How does the £1 billion and £2 billion relate?

The Medium-Term Financial Strategy and the Fiscal Sustainability Delivery Plan set out how we intend to continue to invest, and indeed in many cases grow, the investment in public services in Scotland. They also set out how and why we need to manage demand and take forward every available opportunity to manage down that trajectory of spend.

Last week the Minister for Public Finance set out his target for taking £1 billion out of running costs for Scottish Government and public bodies and that this will contribute to the overall fiscal position. To be clear, that £1 billion will be a substantial contribution to the £2 billion required to close the fiscal gap.

The FSDP goes further. I have looked across everything we do as public services and will make the changes required to protect services: driving efficiency in all areas of service delivery, including significant efficiency and reform savings within the NHS and reshaping the public sector workforce.

18. The Minister is also asked to note that communications officials have been sighted and are broadly content with this as indicative text.

Contribution to the Government's Four Priorities

19. Public Service Reform is part of the 'improving public services' priority of Government.

Risks to Delivery

20. While risks to delivery of the various targets have been set out separately, there is not a specific delivery risk in the narrative.

Verity House Agreement Implications

21. Nil

Implications for Business, Investment and the Economy

22. Nil

Legal Considerations

23. Nil

Financial Considerations

24. Nil

Sensitivities

25. The key sensitivities are ensuring both clarity of the distinction between the two, how they relate **[redacted S.30(b)(ii)]**

Quality Assurance

26. This submission has been signed off by Simon Mair, Deputy Director for Place Based Services and Reform. The advice has been developed with input and agreement with officials, including senior officials, from DG Scottish Exchequer

Conclusion and next Steps

27. Officials would welcome the Minister's views and whether a further discussion at the portfolio meeting on Monday 2 June would be helpful

[redacted S.38(1)(b)]

Directorate for Public Service Reform, Place Based Service and Reform Division

[redacted S.38(1)(b)]

Cabinet Secretaries and Ministers Copy List	For Action	For Information Portfolio interest	For Information Constituency interest	For Information General awareness
Minister for Public Finance	Y			
Cabinet Secretary for Finance and Local Government		Y		

Officials Copy List
DG Strategy & External Affairs Mary McAllan Simon Mair [redacted S.38(1)(b)] [redacted S.38(1)(b)] [redacted S.38(1)(b)] [redacted S.38(1)(b)] [redacted S.38(1)(b)]
DG Scottish Exchequer Richard McCallum Jennie Barugh Kat White Jamie MacDougall [redacted S.38(1)(b)]

Officials Copy List

[redacted S.38(1)(b)]

[redacted S.38(1)(b)]

Kate Higgins

Davie Hutchison

ANNEX A – breakdown of the relationship between the £2 billion and £1 billion corporate efficiency target

[redacted S.30(b)(ii)]

Extracts from fortnightly meetings relating to the efficiency target

Fortnightly Meeting: Mr McKee & PSR Officials 02 April 2025, 12:30 – 13:00

Attendees: Mr McKee, Mary McAllan, Simon Mair, [redacted S.38(1)(b)]

Discussion then focussed on to the efficiencies pillar of the strategy with officials noting the need to agree a figure for efficiencies for 'back office' savings, noting that any figure needs to be evidence-based, and recommending these are drawn from all portfolios. Officials further proposed working with exchequer colleagues to identify a stretching but achievable figure drawn together from the ask of each portfolio

[redacted S.29(1)(a)]

Mr McKee noted his view that the target should be ambitious and sit around £1bn, that all portfolios are in-scope, and that there is a need to work back to understand what it looks like and to consider how and when it is made public. This would essentially represent 20% of the non-frontline spend. He also indicated that many of the savings will come from collective savings in the procurement, estates, automation, headcount and restructuring spaces. Mr McKee then highlighted the need to consider changes to the nature of budget allocation to promote more collaborative working and less duplication in similar spaces by operating shared budgets where appropriate, e.g. for digital transformation.

Fortnightly Meeting: Mr McKee & PSR Officials 8 April 2025, 09:30 – 10:00

Attendees: Mr McKee, Simon Mair, [redacted S.38(1)(b)]

Finally, there was a brief discussion on the £1bn efficiencies target, with officials noting they will shortly send the Minister advice on commissioning DGs for more detail on their individual contributions towards this.

Fortnightly Meeting: Mr McKee & PSR Officials 25 April 2025, 09:00 – 09:30

Attendees: Mr McKee, Mary McAllan, [redacted S.38(1)(b)]

Discussion moved on to Part 4. Reform pillars on Efficiency and Prevention were felt in discussion to be broadly in the right place, with advice on the efficiency figures to be supplied by exchequer colleagues

Weekly Portfolio Meeting: Mr McKee & Officials 19 May 2025, 10:00 – 11:00

Attendees: Mr McKee, Mary McAllan, [redacted S.38(1)(b)], Geoff Huggins, [redacted S.38(1)(b)], Simon Mair, Jamie MacDougall, Audrey MacDougall, [redacted S.38(1)(b)], Nick Ford, [redacted S.38(1)(b)], Brian Reid, [redacted S.38(1)(b)]

It was agreed that there is a need to provide more detail on the evidence base for the efficiency target and Mr McKee noted that some work to provide evidence around figures on saving attributed to preventative actions would also be helpful.

Weekly Portfolio Meeting: Mr McKee & Officials
23 June 2025, 10:00 – 11:00

Attendees: Mr McKee, Simon Mair, [redacted S.38(1)(b)], Geoff Huggins, [redacted S.38(1)(b)], Audrey MacDougall, [redacted S.38(1)(b)], Nick Ford, Brian Reid, [redacted S.38(1)(b)]

In terms of launch:

- Although launched in a crowded news space, it was noted the launch had achieved some cut through, and that media coverage has focused primarily on the £1bn headline efficiencies figure. Comms will provide an analysis of media uptake shortly.

There followed brief discussion on the framing of the £1bn figure. There was a brief discussion of how the target would be best operationalised. [redacted S.29(1)(a)]

[redacted S.29(1)(a)] It was also noted it would be beneficial to draw on public bodies operational skills to provide support and identify gaps.

**Minister for Public Finance
Cabinet Secretary Finance and Local Government**

PSR Strategy: Efficiency Target

Priority and Purpose

1. This submission sets out advice on the proposed £1 billion efficiency target to be included in the Public Service Reform (PSR) Strategy, to be published 19 June.

Recommendation

2. The submission recommends that you **note** the work on the proposed target within the PSR Strategy and **confirm** you are content to proceed on the basis of this advice. The submission also sets out the links between the Strategy and the Fiscal Sustainability Delivery Plan (FSDP), which will publish under a week later.

Context and Issues

3. Further to the advice on the Fiscal Sustainability Delivery Plan (FSDP), sent on 20 May, the PSR strategy will set out a contribution to the overall budget gap forecast in the Medium-Term Financial Strategy (MTFS). The strategy currently contains the following commitment, as drafted by the Minister:

Over the next 5 years we will reduce annualised Scottish Government and public body corporate costs by £1 billion, representing around 20% of the identified public body corporate and core government operating costs

4. The strategy will set out how public service reform can support fiscal sustainability over different time horizons and in terms of cash releasing and cost avoiding interventions. For the purposes of this advice, we are focussed on the **near term** cashable saving focus and subsequently the read across to the FSDP (which covers up to 2029/30).

5. The policy position within the draft PSR strategy is clear; this relates to corporate function (or 'back office') costs and **only** Scottish Government and public bodies (i.e. does not include Local Government).

6. The rationale for the £1 billion is based on the data commissioned from public bodies last summer and then applying a 20% reduction against the corporate function costs. The Minister is aware of the limitations of that data (**Annex A**). Nevertheless, it is the most comprehensive data available to inform such a target, and our working assumption is that Mr McKee is comfortable with a target based on this approach.

OFFICIAL

7. The rest of this submission will primarily focus on whether a £1 billion target is **feasible** and how that might relate to the target and presentation of facts and figures in the FSDP. Officials are mindful that the purpose of the strategy is to significantly increase the pace and scale of reform, therefore we do not expect to be able to provide a full, costed plan for reaching £1 billion at this time. Nonetheless the Minister will wish to have confidence that there is work in train that can meaningfully contribute to the target over the 5-year time horizon.

Feasibility of the target

8. In determining the basis for a £1 billion target, officials are assuming the following conditions will apply:

- The target relates to Scottish Government and public bodies **only**;
- The savings are related to corporate functions; and,
- The savings do not impact on service delivery and are genuine efficiency savings.

9. **[redacted S.29(1)(a)]**

10. **[redacted S.29(1)(a)]**

11. **[redacted S.29(1)(a)]**

12. **[redacted S.29(1)(a)]**

13. The Minister is therefore asked to note that, based on DG returns, we cannot provide a fully costed plan as to how the £1 billion will be reached from 'back office' efficiencies across Scottish Government and public bodies. **[redacted S.30(b)(ii)]**

14. However, based on a combination of the data on spend, the DG returns and the recognition that the various reform programmes in the Strategy will drive further efficiencies, we are of the view that £1 billion is a credible, ambitious, albeit very challenging, target. It is also beneficial to have a stretch target to maintain momentum with the work on efficiencies. However, there are risks with setting such an ambitious target on efficiencies that you may wish to consider when finalising your view. These include:

- Some potential efficiency savings have been proposed on the basis of requiring further investment to realise;
- There is a risk that by focussing workforce reductions on corporate functions we reduce capacity to develop and implement the changes required within functions to deliver savings;
- There is existing pressure in the system, for instance public bodies have only received 60% of the funding for the increase eNICs cost in the 2025/26 budget and will already need to deliver efficiencies to manage these costs;
- **redacted S.30(b)(ii)]**
- As you will be aware from your bilateral meetings, a number of Cabinet Secretaries have raised considerable concerns **[redacted S.30(b)(ii)]**.

OFFICIAL

15. **The Minister is asked to note this advice and consider whether he is content to maintain the £1 billion target (over five years) in the PSR strategy.** If the Minister is minded to proceed this would be on the basis that the strategy would drive a significant increase in genuine 'back office' efficiency savings.

How the PSR target and FSDP £2 billion figures relate

16. The efficiencies target for the PSR strategy will, by necessity, be a sub-set of the savings required for the Scottish Government to close the fiscal gap. The FSDP will include at least £2bn of savings in 2029-30, **[redacted S.29(1)(a)]**. We will need to be able to articulate clearly how the different publications and the respective savings targets align.

17. The view of PSR officials is that:

- The FSDP stands on various commitments and projections across all parts of bridging the fiscal gap and the whole devolved public sector with a firm line of sight to figures. This includes a workforce reduction measure and broader operational savings;
- The PSR strategy considers a component of this within the frame of the efficiencies policy position (corporate functions in Scottish Government and public bodies only);
- The PSR strategy is the start of a process of going further on efficiencies and optimising our contribution to the fiscal gap and broadly takes a more risk tolerant approach to 'stretch'. We have set out above that there is not a specific breakdown of the £1 billion target and there is an element of risk in this approach. **[redacted S.29(1)(a)]**
- **[redacted S.29(1)(a)]**

18. We will need to be able to clearly articulate the distinction between a £1 billion PSR savings target and £2 billion FSDP savings so this is transparent for external stakeholders. Currently, there is a risk we would be seen to be presenting the same savings in different categories across the two documents; this is a presentational risk, however, we are confident that we are not at risk of 'double counting' savings. PSR and Exchequer officials will agree lines for Ministerial approval to be used publicly at point of publication.

19. There is currently a meeting scheduled for the Minister and Cabinet Secretary on 30 May and we expect they may wish to discuss the proposed efficiencies target and ensure they are content with the approach. **[redacted S.29(1)(a)]**

Contribution to the Government's Four Priorities

20. PSR is a key part of the 'improving public services' priority.

Risks to Delivery

21. There are risks in this approach, in that we are setting a stretch target and cannot, at this time, fully set out to the Minister where the savings will come from. The key issue for this strategy is ensuring the Minister is content with the level of risk

OFFICIAL

between what is fairly secure and what is assumed to come through the commitments in the strategy.

Verity House Agreement Implications

22. As set out in the Verity House Agreement, Scottish Government and Local Government have a shared commitment to advance public service reform. However, the PSR strategy has been developed by Scottish Government and is not a partnership document with Local Government. **[redacted S.30(b)(ii)]**. That is not to negate the critical role of Local Government to delivering the full spectrum of commitments in the PSR strategy.

New Deal for Business Implications

23. Nil

Legal Considerations

24. Nil

Financial Considerations

25. There are no specific financial asks associated with this submission.

Sensitivities

26. We are mindful that a different approach between FSDP and the PSR Strategy on savings figures could be confusing to some audiences and risk the credibility of the figures. The level of interest and commentary on these documents will be significant and we understand that the Cabinet Secretary has concerns about the potential confusion and mis-alignment of the figures used in both strategic publications.

Quality Assurance

27. This advice has been signed off by Simon Mair, Deputy Director for Place Based Services and Reform.

Conclusion and next Steps

28. The Minister is asked to confirm he is content to proceed with the £1 billion target. Officials would welcome a view from the Minister and Cabinet Secretary if they are content with the distinctions between our approach.

[redacted S.38(1)(b)]

Place Based Services and Reform Division, Directorate for Public Service Reform
22 May 2025

OFFICIAL

Cabinet Secretaries and Ministers Copy List	For Action	For Information Portfolio interest	For Information Constituency interest	For Information General awareness
Minister for Public Finance Cabinet Secretary for Finance and Local Government	Y Y			

Officials Copy List
DG Strategy & External Affairs Mary McAllan Simon Mair [redacted S.38(1)(b)] [redacted S.38(1)(b)] [redacted S.38(1)(b)] [redacted S.38(1)(b)] [redacted S.38(1)(b)]
DG Scottish Exchequer Richard McCallum Jennie Barugh Kat White Jamie MacDougall [redacted S.38(1)(b)] [redacted S.38(1)(b)] [redacted S.38(1)(b)] [redacted S.38(1)(b)] [redacted S.38(1)(b)]
[redacted S.38(1)(b)] [redacted S.38(1)(b)]
[redacted S.38(1)(b)] [redacted S.38(1)(b)]

OFFICIAL

ANNEX A - Derivation of the “£1 billion” Back Office Efficiency Target

20. In Autumn 2024, data was gathered from public bodies on spend involving corporate functions, including the direct costs of operating these functions and the spend managed by these functions, for the financial year 2022-23. A summary of the total £3.572 billion spend identified is shown in Table 1 below. This information does not include Local Authorities.

Table 1: Public bodies’ Corporate Functions data 1 April 2022-31 March 2023

	All public bodies (cost in £m, 2022-23)			Of which: Staff Costs
	PBs excluding NHS Boards	NHS Boards	Total	
Cost of running corporate functions	452	841	1,294	785
Expenditure managed by corporate functions	1,164	1,116	2,279	
Total spend above	1,616	1,957	3,573	785

21. If the 2022-23 costs in Table 1 are inflated to 2024-25 prices (using latest GDP deflators), the total cost estimate increases to £3.926 billion. As September 2024, the full year forecast for Scottish Government Total Operating Costs for 2024-25 was £817m. Combining these two figures provides a rough proxy for 2024-25 back office expenditure of **£4.744 billion**. Against this, a 20% efficiency would in theory yield **£949 million** as shown in Table 2 below. This is the derivation of the “£1 billion” back office efficiency target.

Table 2: Combining Public bodies’ Corporate Functions data and SG TOC Forecast

	£m	Breakdown by NHS Boards, Staff and Other				Total
		NHS Board s Non-Staff	NHS Board s Staff	Staff (excl NHS Board s)	Other (Non-staff, Non-NHS)	
PB Corporate Functions' spend 22/23	3,573	1,430	527	288	1,328	3,573
Restated to 2024/25 prices (A)	3,926	1,604	547	316	1,460	3,926
SG TOC Full Year Forecast 2024/25* (B)	817	0		817		817
Estimate of 2024-25 expenditure (A+B)	4,744	1,604	547	1,133	1,460	4,743
20% efficiency	949	321	109	227	292	949

*TOC as reported in September 2024. ** Data excludes Local Authorities.

22. There are significant caveats to using this data as a rough proxy for ‘back office’ expenditure. For the Table 1 data which was published in 2024 using data from 2022-23, the publication notes important qualifications on the value of the data, including:

OFFICIAL

- For public bodies with their own income streams, some reported the costs of corporate functions on a net, rather than a gross basis, so this under-reports the total activity supported by corporate functions;
- 2022-23 data will be influenced by distinctive circumstances in that financial year for each public body, so cannot simply be forecasted forward (as has been done in Table 2);
- Some corporate function activity reported will directly support front-line activity. This is the case for both the “Expenditure managed by corporate functions” and the “Costs of Running Functions” in Table 1.
- Of the total £2.3 billion “Expenditure managed by corporate functions”, £1.2 billion related to spend on external communications, running IT and digital estates, Digital Transformation and Annual Estate Running Costs, and a further £1 billion was classified as “Other” Third Party expenditure. The commission did not explicitly restrict information to spend relating to corporate functions, so some bodies may have included spend related to front line operations and directly supporting front-line delivery (e.g. procurement spend for front-line activity).
- The data gathered was self-reported by bodies, subject to light touch verification by Scottish Government, and there will be inconsistencies across bodies in their responses due to different interpretations of the ask.

SCANCE Extract – 28 April 2025

SCANCE CONTRIBUTION

Cleared contributions must be sent to Cabinet Secretariat by Private Office by 1 p.m. on Mondays, (unless an extension has been agreed). Private Office will have its own deadline ahead of this.

ACTION FOR PRIVATE OFFICE

MPO should indicate if this SCANCE note is to be included in (check relevant box):

Part 1 of the SCANCE paper

(This is for notes that your Minister wants to talk to in Cabinet and feels may need some discussion. This should be reserved for the most pressing, high-profile issues. A written and speaking note is required.)

Part 2 of the SCANCE paper

(This is for items to be noted by Cabinet and taken as read without any discussion. Ministers will not be invited to speak to these items in Cabinet but a speaking note should still be provided in addition to the written item in case questions are raised in Cabinet.)

ORAL item

(Oral items are not included in the written SCANCE paper issued to Cabinet on Monday afternoons. Oral items should only be used when the content will not be ready in time for inclusion in the SCANCE paper or where the topic is particularly sensitive. Only a speaking note is required for oral items.)

TOPIC HEADING: Public Service Reform

MINISTER: Minister for Public Finance

Written Note

(The text in the box below will be included in the SCANCE paper which will issue to Ministers the day before Cabinet meets)

The **Public Service Reform strategy will come to Cabinet in May. Given the cross-cutting nature of reform there is a range of activity in hand requiring input from all portfolios.** The strategy will provide the approach and action being taken to deliver up to £1 billion annualised cost savings that support the Medium Term Financial Strategy and Fiscal Sustainability Delivery Plan and to deliver the shift to preventative interventions and service integration called for by the Christie Commission

[redacted S.29(1)(b)]