Scotland's Regeneration Forum

SURF PRE-BUDGET SCRUTINY SUBMISSION:

Public Service Reform

About This Paper

In July 2026, the Public Service Reform Committee launched a call for views on how the 2027/28 Scottish Budget can promote public service reform. The aim of pre-budget scrutiny is to influence how the budget is prepared, improve transparency, and increase public awareness.

In particular, the pre-budget inquiry focusses on how the Scottish Government can best remove barriers to progress, promote preventative approaches, and simplify the delivery of public services.

Relevant background on this call for views can be found here.

Please see below SURF's response to selected questions from this consultation.

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1. **The Scottish Government aims to deliver on average £0.5 billion in savings through efficiencies per year for the next three years (2026-27 to 2028-29):**

    a. **To what extent are these savings achievable, and how will they shape public service delivery?**

    It is difficult to assess how achievable such savings are, as information on where efficiencies will be made is currently not available. SURF would caution against the overriding political narrative surrounding public service reform, namely that efficiencies or cuts can be made

without affecting frontline services and harming the delivery of vital programmes. Although the Public Service Reform Strategy makes clear that savings will not or should not affect frontline services, it is unclear how this will be enabled or even measured. We can find no published evidence of a large-scale public service reform initiative that has lowered spending while simultaneously improving outcomes and performance in Scotland – let alone globally. SURF is interested in understanding how this initiative will be different.

Moreover, the current discussion focuses heavily on specific cuts, rather than presenting a clear vision of how and why Reform will improve public services. References are made to the Christie Commission, for example, without assessing its relevance to the current context.

While prevention is usefully framed as a key objective – something SURF agrees with – it is difficult to see how proposed efficiencies can lead to a more preventative system and way of working. Evidence suggests that prevention costs more, not less, to do properly. Combined with existing issues around poverty and deprivation, Scotland has a whole host of challenges which require both an immediate and a preventative response. SURF does not agree with the framing of prevention as a potential saving or indeed as a way to ensure future savings.

b. **What progress is being made towards achieving these efficiencies?**

Again, it is difficult to assess what progress has been made, as there is no detailed routemap and we are at the beginning of the new parliament, with the public service reform agenda still in its infancy. Of greater concern, however, is that there is a lack of clarity around how efficiencies will be made, what this means for community led regeneration and the third sector funding more broadly. This vacuum of clarity has created an environment in which many organisations are ever more fearful of their funding security, and long-term planning – even as the Scottish Government aims to further embed multi-year funding, something the Third Sector has long called for – seems a distant, unattainable ambition.

c. **What are the barriers to achieving greater efficiency and how can these be addressed?**

The above lack of clarity is a key barrier to efficiency. Ambiguity around whether this work stream refers to 'public *service* reform' or 'public *sector* reform' – with the two terms used interchangeably in various documents, job titles, and communications – compounds this issue. The difference, although seemingly minute, is significant, and confusion around what is (and is not) in scope of this portfolio creates uncertainty. This will make it difficult to coordinate a shared response to what is ultimately an ambitious, all-encompassing policy priority: it covers both third and public sectors and – if done well – may lead to a fundamental shift in the way government operates at all levels.

Specifically, in terms of procurement and third sector funding, ongoing yearly procurement exercises cost the Scottish Government millions in unnecessary administration and procurement fees. It is also costly and intensive for the organisations involved, and introduces a level of precarity into their operations that is unsustainable. Moving towards a multi-year funding model not only saves money, but it provides assurance to organisations that a degree of long-term support is guaranteed, which will help address deeply embedded and structural issues – such as poverty. There is parliamentary, political, and societal support for such a measure – and current discussions with SCVO around a potential partnership framework is an ideal opportunity to commit fully to this improved way of working.

2. **How should the Scottish Government best present the extent of any realised efficiencies in the annual budget publication, including providing clarity on whether these are expected to be recurring savings?**

Savings must be presented clearly and consistently to ensure that PSR savings vs other cuts are made obvious. It would be helpful – across all Scottish Government budget publications – if reductions and increases in specific budgets were flagged clearly across all areas of government. Importantly, savings cannot be presented as future efficiencies (i.e. current modelling includes assumptions that savings based on smoking, obesity, and poverty will result in a lower demand on public services). This is not a useful way to present public service reform and given the challenges (especially around poverty) that Scotland faces, this is not a realistic assumption. Poverty is deepening, with inequality on the rise, and possible savings in future may be offset by other issues (i.e. an ageing population, a shrinking workforce, a smaller tax base, lower immigration, etc.).

3. **The Fiscal Sustainability Delivery Plan aims to achieve an average reduction of the public sector workforce of 0.5% per year over five years.**

   a. **To what extent is this target achievable and how will it shape public service delivery?**

      It is unclear where this specific target has come from, and what it has been based on. Whether it is achievable – or even desirable – will be largely be determined by how such a target has been shaped, and why. However, as previously mentioned, it will be a very tall order for any Government to propose a sweeping and long-ranging series of cuts in the public sector workforce without affecting its performance. How service levels and the support for third sector organisations will be affected in light of this ambition also remains unclear.

      Beyond achievability, is it equitable? And who will be most affected? This includes organisations reliant on Scottish Government for the disbursement of funding, the managing of contracts, and the provision of technical expertise. Attempts should be made to understand not just how reductions in the workforce affect the public sector and function of government, but also how this impacts the third and community sectors.

   b. **What progress is being made towards achieving this target?**

      Again, it is difficult to say because the information is not publically accessible.

4. **What actions can the Scottish Government take to ensure these workforce reductions are delivered in a managed way which best supports effective government and public service delivery?**

   A useful starting point could be the much-touted mapping exercise of the various public bodies. Although much has been made of a reduction in quangos, not enough evidence is available to identify where the opportunities exist, and how they might best be pursued. Understanding where duplication exists will be central to workforce reductions, and helps ensure that institutional knowledge and experience remains where it is most required.

5. **The PSR strategy states that it will protect frontline services. To what extent is there sufficient clarity about how frontline roles are defined and how efficiencies in back-office functions can be delivered in a way that minimises impact on the delivery of public services?**

   These are not clearly defined and there is, as mentioned previously, a lack of clarity around what constitutes a frontline service. Many – if not all – community organisations provide vital frontline services. Community led regeneration almost always directly influences local residents in highly impactful ways. SURF hopes that the PSR strategy commitment to protect frontline services extends to these non-statutory services as well, and would further note that many third sector organisations and those working on regeneration projects also, in many instances, fulfil statutory services. In particular, given the introduction of the Community Wealth Building Bill, one could argue that almost all public-facing projects fulfil a statutory service now, and generate community wealth, addressing long-term poverty. Protecting these while making efficiencies will be a real challenge, and SURF would like to see how this commitment will work in practice. How this fits with a preventative approach is a further question that requires more clarity.

   Furthermore, the strategy and ongoing work should seek to make a clearer distinction between the public sector and public services – with both terms used interchangeably in various policy documents, as mentioned previously.

   Lastly, Scotland has a struggling and underfunded public sector, with many statutory services now delivered either partly or wholly by the third sector. Does this commitment to protect frontline services extend to these situations and all public contracts?

6. **Beyond the financial benefits that the Public Sector Reform (PSR) Strategy aims to achieve, what are the key outcomes that reform should be aiming for?**

   Reducing poverty, addressing inequality, increasing wellbeing and health outcomes. A renewed emphasis on Prevention should also be, as stated, core to the reform programme.

   Again, ensuring these ambitious objectives can be met while also cutting spend remains incredibly ambitious – and SURF and other stakeholders would like to see a realistic plan for how this will be realised.

7. **The PSR Strategy includes 18 different workstreams which aim to remove barriers to reform.**

   One workstream focuses on "simplification", recognising that "complexity of processes, structures and reporting requirements is a key barrier to effective and efficient service delivery".

   "Prevention" is one of three pillars providing structure to the Strategy.

   a. **What should the Scottish Government's priorities be under its simplification workstream and what level of savings can be achieved through this approach?**

   b. **What progress has been made to date with preventative budgeting?**

      It is not clear what progress has been made to date with preventative budgeting and how a 'preventative' spend differs from other forms of spending in Scottish Government budgets. If the distinction is relevant, this should be made clear in future budgets.

   c. **How should the forthcoming Budget support greater progress towards preventative budgeting across the devolved public sector? Please set out any barriers and how these can be addressed.**

Public service reform should engage directly with and be integrated into ongoing work around the local governance review. Along with Open Government work, there are several strands of existing government policy which can meaningfully and usefully interact to further drive efficiencies and wholescale government reform. There is not enough evidence to suggest that meaningful integration and collaboration is happening, which risks a siloed approach. As the removal of siloes is also an objective of the PSR agenda, this would be a useful place to start.

d. **What changes to the Scottish Government's approach to budget-setting are needed to effectively deliver public service reform?**

As mentioned in a previous response, SURF is keen for budgeting to more clearly include information on which decisions are made – and why. This should include where spending has increased or decreased, but also whether the change is due to a political decision, the end of a programme, or part of the public service reform agenda. This will enable stakeholders to more easily identify why decisions are made and how this will contribute to existing policy priorities.

8. **The Scottish Government included an upfront Invest to Save Fund of around £30 million in the 2025-26 and 2026-27 Scottish Budgets for reform projects that will deliver ongoing savings and support the delivery of the PSR strategy.**

a. **To what extent is the Invest to Save Fund delivering projects that achieve ongoing savings?**

SURF was not aware of the Invest to Safe Fund, and there is no public information available on whether these projects have delivered ongoing savings.

b. **How are successful outcomes from this Fund being shared more widely across the public sector?**

The only information that is publicly available is via an FOI, which includes a short list of projects and funded amounts. However, it would be useful to have a more comprehensive case study of how these projects unfolded and how this fits into the wider PSR strategy. It is unclear whether the projects – many of which relate to data efficiency and digital tools – allow for further savings to be made and if so, how useful these case studies are for reforming the public sector – especially when it comes to workforce reductions. If these digital transformation projects been able to generate further savings, learnings should be much more thoroughly shared with wider public and third sector stakeholders.