
Introduction

1. I am pleased to submit my views to support the Committee's legacy considerations ahead of a round table I will attend on 10 February 2026.

2. As Auditor General for Scotland, I am appointed by the Crown, on the recommendation of the Scottish Parliament. The independent post was created under the Scotland Act 1998 to help ensure that public money is spent properly, efficiently and effectively.

3. The Auditor General for Scotland is responsible for the audit of most public bodies, except local authorities. This includes directorates of the Scottish Government, government agencies, NHS bodies, further education colleges, the Scottish Police Authority, the Scottish Fire and Rescue Service and most Non-Departmental Public Bodies. I am also the Accountable Officer for Audit Scotland, which provides audit services to both the Auditor General and the Accounts Commission.

Budget scrutiny and transparency

4. Managing the impact of the Covid-19 pandemic and reacting to cost-of-living pressures flowing from a period of high inflation have made the fiscal environment in Scotland notably volatile in recent years. This, in turn, made managing the Scottish budget more complex. The Scottish Government made significant levels of in-year budget changes, requiring on occasion, an additional budget revision, an emergency budget review and increasingly close management of day-to-day spending. Budget scrutiny in such an environment inevitably becomes more challenging, yet it remains a crucial part of the budget process.

5. Throughout this period of volatility, I have reported extensively through both my financial and performance audits on the budget challenges the Scottish Government must navigate, making recommendations on how arrangements could be improved.

6. In my 2022 report, [Scotland's financial response to Covid-19](#), I noted several positive budget developments, such as streamlining governance arrangements to direct funds more quickly. However, I also reported that the Scottish Government had struggled to manage transparency and it was not always clear how some financial decisions had been reached. This in turn, limited the quality of scrutiny that could be provided by Parliament. It became clear that episodic budget management - based around autumn and spring budget revisions - and scrutiny processes were not designed for high levels of change. I considered it essential that the Scottish Government should act quickly on the lessons learned to build resilience in budget processes to manage future shocks, including

knowing where it can flex its budget to accommodate short-term fluctuations.

7. I have frequently commented on the short-term focus of financial management and sustainability decisions taken by the Scottish Government. In my report, [Fiscal sustainability and reform in Scotland](#), published in 2024, I concluded that the Scottish Government continued to take short-term decisions, reacting to events and external shocks rather than making fundamental changes to how public money is spent. I have reported through my audits of [the Scottish Government's consolidated accounts](#), that many of the areas identified to achieve short term fiscal balance are based on non-recurring savings, rather than savings that will continue to feature in future years. This inevitably adds to the challenge in future years and risks perpetuating short-term decision making to address in-year pressures, rather than embedding recurring savings which will put the baseline budget on a more sustainable footing. Clearly identifying planned recurrent savings and efficiencies, and monitoring their progress over time, should be a core part of budget scrutiny over the coming years.

8. Delays in publishing medium-term plans and a lack of detail on delivery within those plans, both overarching and those relating to key areas such as infrastructure, workforce and the NHS, undermined their effectiveness. While a “three-pillar approach” to fiscal sustainability was established by the Scottish Government in 2023, detailed supporting actions, the impact on public services, and the milestones for action were missing. This restricted budget scrutiny to predominantly considering the annual picture, with less information available to scrutinise what this meant for longer-term service delivery and policy ambitions. Moving into the next parliament, the timely production of multi-year plans is needed to ensure that medium- and long-term strategies and plans can be effectively scrutinised alongside the annual budget.

9. The lack of effective medium- and long-term planning has potentially impacted progress and scrutiny of the necessary reform activity required. I noted in my Fiscal sustainability and reform report that while the Scottish Government had been clear about the potential scale of the fiscal gap, it had not set out a clear vision of how it will change public service delivery models to better support sustainable public finances and services.

10. Since the publication of that report the Scottish Government has published a series of medium- to long-term plans and strategies. In June 2025, the Scottish Government published a new Public Service Reform Strategy (PSRS), its delayed Medium-Term Financial Strategy (MTFS) and the first Fiscal Sustainability Delivery Plan (FSDP). I had [reported in November 2024](#) that the Scottish Government has not been sufficiently transparent with the Scottish Parliament or the public about the current fiscal situation. The publication of these documents is welcome step forward, providing a framework for the future of Scottish public sector finance and public service reform.

11. It nonetheless presents a stark picture, with funding gaps in resource projected to grow from a balanced budget in 2025/26, to a gap of £2.6 billion in 2029/30. More information will be needed on how intentions to reduce the public sector workforce and increase sector efficiencies will be achieved. I have recommended that more detailed delivery plans are needed to support the realisation of these savings.

12. This also applies to health and social care plans, notably the Population Health Framework and a Health and Social Care Service Renewal Framework. In my [NHS in Scotland 2025](#) report, I note that while the Framework is a welcome development, its ambitions are far reaching and will be both complex and challenging to deliver. I have recommended that the Scottish Government put in place detailed implementation and monitoring plans that include timeframes, monitoring and report arrangements and evaluation frameworks. If these are delivered, this will enable better budget scrutiny of how reforms are affecting costs over time.

13. Alongside the recent 2026/27 Budget, the Scottish Government published its infrastructure strategy, infrastructure pipeline, and spending review. Altogether, these documents present a more comprehensive picture of the Scottish Government's finances and the challenges it will face over the coming years, along with the broad actions that it plans to take in response. It also presents new issues for budget scrutiny which I have previously discussed with the Finance and Public Administration Committee and summarise further below.

Looking to the future

14. Firstly, the number of plans and strategies will increase over time. Each will have its specific part to play in both fiscal sustainability and improving public services, such as the role of capital spending, or a changing workforce. As these plans are implemented, the Scottish Government must maintain a cohesive overall approach to reporting progress, assessing the impact, and identifying areas for improvement. Without this, there is a risk that monitoring and reporting arrangements become fragmented, making scrutiny of overall progress towards fiscal sustainability and reform more difficult.

15. Key publications such as medium-term financial strategies should maintain clear links back to annual budget documents, and vice-versa. There will need to be a clear connection between annual budget decisions and its impact on the medium- and long-term trajectories public finances are taking. Done well, this will support better scrutiny of the Scottish Government's reform and efficiency plans.

16. Secondly, effective budget scrutiny relies on good information and data for reporting how plans for reform are being achieved, what milestones and timescales are reasonable, and the difference they are making to both to public finances and service delivery. Over the coming years, I would expect to see an increase in this reporting detail against some of the Scottish Government's key areas of reform or redesign.

17. This detail in budget documentation is also needed to properly understand and scrutinise how the Scottish Government will use its fiscal levers together to deliver its priorities in a sustainable way. In my recent report on [Financial sustainability and taxes](#), I concluded that while the Fiscal Sustainability Delivery Plan includes useful information on spending activities, such as public sector workforce reductions, it has much less detail on the role that taxes and economic growth can play. Understanding how each of these three pillars of fiscal sustainability work together over time is necessary to enable budget scrutiny to consider in the round how the Scottish budgets are contributing to more sustainable public finances.

18. Budget scrutiny will benefit where the Scottish Government is clear on its priorities, and how this feeds through into its spending choices. In my report on [Adult Disability Payment](#), I note that while the Scottish Government was clear about the additional spending it was incurring compared to the direct funding received from the UK Government, it had not yet set out a detailed strategy for how it will manage the forecast gap between social security funding and spending within its overall budget. For budget scrutiny, the Scottish Government should be clear and transparent about the trade-offs it is making in prioritising spending in certain areas of the budget.

19. Part of this will be understanding the implications of spending decisions for public services and intended outcomes. The Parliament should be able to review how the Scottish Government have assessed changes to spending, and how these are expected to impact upon performance. For example, understanding how the proposed workforce reductions envisaged in the spending review feed through to impact on services and how this will be monitored is important. I set out my views on the importance of understanding the impact of the workforce on reform and efficiencies in my report on the [Scottish Government's workforce challenges](#). I note that the Scottish Government has committed to publishing a Workforce Management Governance Framework in spring 2026.

20. The National Performance Framework underpins the approach to long-term improvement, which has also been the subject of inquiry by the Finance and Public Administration Committee. I have reported that it is not clear how budgeted spending is meant to impact on outcomes, particularly where spending across a number of portfolios is intended to contribute to a shared wellbeing outcome. The budgets of the Scottish Government, and public bodies should more clearly set out the intended impacts of significant government interventions. For example, in my report on the [National Strategy for Economic Transformation](#), I found that while good connections had been established across the Scottish Government to support the NSET's delivery, it is not clear how directorates are working together to agree funding priorities.

21. I also noted in my most recent [audit of the Scottish Government's consolidated accounts](#) that while the Scottish Government is reviewing its

approach to national outcomes, there is no overarching framework to measure and report outcome data. The lack of a clear and consistent performance reporting framework makes it hard for the Scottish Government to demonstrate the extent to which it is using resources effectively to improve outcomes, and to direct resources to the areas of greatest impact. Once the Scottish Government has completed and agreed its renewed approach to outcomes, it will need to demonstrate how its financial decisions are contributing towards long-term goals and what difference it is making. Tracing financial decisions to the differences they are making for people and services is an essential part of budget scrutiny.

22. Maintaining transparency during periods of substantial volatility and change is a difficult task. However, without it, not only is it more difficult to scrutinise the budget, it is also more difficult for the public to understand the difference that public finances are making to their lives.

23. For example, in my report on [Financial sustainability and taxes](#), I found that the Scottish Government had not set out clearly enough how it plans to address its tax performance gap, and what this would do to support fiscal sustainability. I also recommended that the Scottish Government should more clearly present the net impact on the Scottish Budget of tax policy choices, alongside the amount of tax expected to be raised, to support transparency and public understanding.

24. There remains limited understanding of how the Fiscal Framework operates, despite its significance to devolved taxes and social security spending. The Scottish Government will need to renew efforts in the coming years to improve public understanding in this area. This includes a better narrative in medium-term plans and annual budget about how plans for economic growth and tax strategies are intended to work together, for example.

25. I have also noted that, on taxes, the percentage of people who state that they do not understand taxes well, or at all, has been consistent at around 50 per cent (53 per cent in 2024) for the last five years. I recommended that the Scottish Government provides clear, accessible and transparent information to help improve public understanding of the Scottish tax system.

26. There are opportunities to improve the transparency of financial information which the Scottish Government are acting upon. For example, in October 2024, the Scottish Government collated 2022/23 financial information for the Scottish public sector and provided this to Parliament for consideration. The information focused on the assets and liabilities across the Scottish public sector and provided a more complete picture of the financial position associated with the powers and responsibilities devolved to the Scottish Parliament. The audit team are currently considering the Scottish Government's proposals for future reporting. The more the Scottish Government can clearly report the assets and liabilities

available to it, the more transparency will be added to the scrutiny process.

27. I understand that maintaining transparency and understanding at the same time as reporting on increasingly complex public finances is challenging. It is encouraging to see that the Scottish Government has improved transparency in the last year both in terms of medium-term plans and better financial data. However, there remains more to do. Ensuring that the progress against financial sustainability and reform in public finances is clearly communicated, monitored, and reported against outcomes for people is an ongoing task, and should be published regularly for both public and parliamentary scrutiny.