

Scottish Government Fiscal Sustainability Delivery Plan



Introduction

The Scottish Government have published their Fiscal Sustainability Delivery Plan (FSDP). The aim of the document is to provide some detail on how the government intends to address pressures on their resource (ie day-to-day spending) budget over the next five years. On current projections the Scottish Government will go from a balanced budget in 2025-26 to a resource shortfall of £2.6bn in 2029-30.

The *Fiscal Sustainability Delivery Plan* is part of a package with the *Medium Term Financial Strategy* and the *Public Service Reform Strategy*. They all outline, with different emphasis, that the Scottish Government intends solving its developing financial problems by reducing the size of the public service workforce, greater efficiencies in public spending, and creating economic growth

Efficiencies

The FSDP puts a lot of stress on “Increasing public value” which means “Ensuring funding is fully focused on delivering the Scottish Government’s priorities” while maximising the impact of available investment. “Impact” in turn includes a specific focus on “Meet[ing] ministerial priorities”. All spending lines across government are to be examined to see what can be delivered for fewer resources. With a reform programme “addressing medium to long-term spending growth”. Options are to be reviewed for public bodies to “more effectively raise revenue from government services” (which sounds like a move towards more charging for services).

These are to be accompanied by a review of the public sector delivery landscape, aligned with a public sector workforce reduction target

Policy measures to be taken to achieve savings, will be set out at the next Scottish Spending Review, which will be published alongside the 2026-27 Scottish Budget expected in December.

Workforce management and control

As well as year on year commitments to reduce the public sector workforce (half a per cent per year for five years), there is to be a “Workforce Management Policy and Control Framework. This will set principles, parameters, metrics and anc controls to put into effect the Scottish Government’s approach to workforce management in public bodies. This will be integrated with the public sector pay policy.

The workforce reductions are to be achieved through ‘process improvement’, mergers and automation. “Frontline services will remain protected”. Public bodies will be provided with best practice guidance for for existing severance policies.

KEY POINTS:

- The Scottish Government has a gap developing between it’s budget and its policy priorities.
- Efficiencies in the public sector are to be a key part of closing this gap.
- The plan is that the public sector workforce will shrink every year.
- A variety of centralised mechanisms are proposed to make savings.



Health and Social Care

More detail is given about intentions for health and social care than most other areas. There is a target to deliver 3 per cent recurring savings against core funding for NHS Boards, supported by a targeted and continuous programme of efficiency and productivity improvement. This is to be achieved by; amongst other measures, a nationally agreed programme of improvement opportunities, and a Once for Scotland approach ensuring that “services are designed and delivered in a unified streamlined way across the country”. At the same time NHS Boards are to be “empowered to work in more collaborative, flexible ways across territorial and organisational boundaries”.

The merger of NSS and NES to create NHS Delivery is hoped to have a major impact by creating a “national centre of excellence in digital delivery, education and training, and the provision of national services”. It is hoped that an embrace of Artificial Intelligence and data driven tools will drive service reform and unlocking productivity and enabling “smarter, more responsive services”.

Taxes

The Plan talks of three “Pillars” driving fiscal sustainability (ie keeping income and spending in some sort of balance). Reforms of public services is the first. The other two are tax policy and driving growth in the economy.

Despite the importance of tax revenue to balancing the books, little of substance is said. It is stated that the current “Progressive approach to taxation” will be protected and the two new devolved taxes (Building Safety Levy and Scottish Aggregates Tax) will be implemented in the next 2 years. Other than that, there are plans for reviewing the operation of existing taxes, promoting research, “consolidating evidence and “exploring opportunities”. As regards using existing powers to tax wealth as urged by both UNISON and the STUC. All that is promised is a publication of a literature review exploring the issue and then extensive engagement with stakeholders and experts “

For local government, the Visitor Levy is noted but all that is planned is working towards a parliamentary debate to lay the groundwork for reform proposals.

Economic Growth

The third pillar of the sustainability plan is economic growth – with the aim that this increases revenue. The hope is to increase overall business activity, employment levels and average wages (nb that’s primarily wages outside the public sector). A variety of existing or to be implemented measures are pointed from Green Freeports and Investment Zones to increasing the number of women on international trade missions, to final delivery of broadband across all of Scotland.

Average wages are to be improved by addressing skills gaps attracting high wage sectors to Scotland. Amongst measures “expected to drive growth are; launching AI Scotland, £3.5m for colleges, widening access to higher education for socio-economically deprived students

Future risk

The FSTD has been written because the Scottish Government has acknowledged a gap between the money it wants to spend and the money it is bringing in. Rather than radically change either policy commitments or approach to taxation they intend relying on economic growth and cost cutting in the public sector. This comes with a risk as they admit “, even with the best possible combination of economic policies, Scotland will be subject to global macroeconomic trends, including the current uncertainty that is slowing growth globally”. In which case the necessity to make good the funding gap will fall even more on public services and those who provide them.

Additional reading

- [Scottish Government Fiscal Sustainability Delivery Plan](#)
- [Scottish Government Medium-term Financial Strategy](#)
- [Scottish Government Public Service Reform Strategy](#)
- [It doesn't have to be this way \(STUC tax options paper\)](#)
- [Policies that would drive economic growth](#)



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