



## **STUC Submission to Public Service Reform: Pre-budget scrutiny 2027-28**

### **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?**

The Scottish Government have provided very little detail about what their figures are based on. Not only does this make it hard to assess if savings are achievable, but it also leaves the impression these so-called efficiency savings are simply cuts dressed up reforms, for the purpose of balancing the books.

These concerns are echoed by several external commentators. The IFS have stated: “targets for Scotland’s health boards look highly ambitious – significantly in excess of what has historically been achieved.”<sup>i</sup> While, with regards to the justice portfolio, the Fraser of Allender Institute have said: “It does not seem credible that such large cuts can be made to this area without impacts on services.”<sup>ii</sup>

More generally, there is little reason to believe that efficiency savings can be delivered easily or without a reduction in service quality. Public services are, by their very nature, labour-intensive. This is a strength. We want social care staff to spend more than 15 minutes visiting homes to provide quality care, and we want teachers teaching small class sizes.

However, this means slow productivity growth is an intrinsic characteristic of public services. As IPPR point out, the theoretical and empirical evidence suggests the cost of public services will continue to rise faster than the rate of inflation.<sup>iii</sup>

Add to this, the fact that Scotland’s population is aging at a faster rate than the rest of the UK, and it is clear that increased tax revenue is needed if public services are to be maintained.

One area where efficiencies could be made is addressing large-scale outsourcing within the public sector. Analysis by STUC estimates a 40% increase in outsourcing across Scotland’s local authorities in the last five years.<sup>iv</sup> Research by APSE for the STUC estimates that between £2bn and £3bn per annum of devolved external spend goes to profit and other mechanisms that private companies use to extract money from the outsourced spend of the Scottish public sector.<sup>v</sup> This is money that is lost from under pressure public sector budgets and the pay packets and pensions of vital public sector workers. The negative multiplier effect of this means that the real loss to local economies is much greater.

We can see this extraction in social care, where up to £28 in every £100 leaks out of the largest private care homes in the form of profits, rent, payments to the directors, and interest payments on loans. This is despite private sector care providers paying lower wages, having more complaints and worse staffing ratios than public and voluntary sector care providers.<sup>vi</sup>

Outsourcing is often presented as the most affordable option, but this ignores the wider costs it creates to the Scottish economy, in terms of loss of economic value, the consequences of low pay, and the long-term cost to the public purse. From PFI contracts leading to school closures, to care home collapses and Capita's pension administration debacle, there is a plethora of outsourcing failures leading to increased costs for the public sector.

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

Achieving genuine efficiencies requires engagement and dialogue with the workers who deliver public services. However, feedback from our public sector affiliates suggests meaningful processes to engage with trade unions have not been put in place.

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

The biggest barrier to improved efficiency in the public sector is a lack of resources. From lack of investment in social care provision leading to NHS bed-blocking, to the use of bank/agency staff within the NHS, every day we see examples of a lack of resources in preventative services leading to increased long-term costs.

While there is widespread consensus that we need to move towards a more preventative approach to public service delivery, this requires new investment, not shifting resources from other crucial services. Spending on prevention for tomorrow, does not clear the very real demand for spending today.

The Christie Commission recognised the lag between savings that preventative services deliver, and the initial cost of investment in those services. Unfortunately, this is not reflected in Scotland's Public Service Reform Strategy which envisages short term savings with no strategy to increase investment in preventative services.

A proper strategy would recognise that investment in prevention requires upfront investment and parallel delivery of acute and preventative services, until savings from prevention kick in and acute services can be reduced.

**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?**

The Budget should provide information on what the efficiencies savings are based on and how they are to be achieved.

**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?**

The Scottish Government's proposal to cut the public sector workforce by 0.5% a year for the next five years is estimated by the IFS and IPPR to amount to 18,000-20,000 jobs.<sup>vii</sup> This comes on top of a public sector workforce that has not recovered from austerity. There are 62,000 fewer public sector roles today than in 2008 and the public sector's share of total employment has fallen from 24% in 2010 to 22% today.<sup>viii</sup>

While the public sector workforce has grown more recently – particularly in the NHS and civil service – IPPR have detailed how this reflects the pressures of demographic change and the transfer of responsibilities from the EU to the Scottish Government following Brexit.<sup>ix</sup>

The proposed cuts to the workforce come on top of increased demand for services. The Scottish public are already dissatisfied with the state of public services. Satisfaction with the NHS has fallen from 64% in 2019 to 22% in 2024.<sup>x</sup> Dissatisfaction with council services is at a record high.<sup>xi</sup>

Recent polling for Wellbeing Economy Alliance suggests that two-thirds of people in Scotland believe that taxes should be increased to invest in public services in Scotland, rather than cut.<sup>xii</sup>

Demographic change means public sector spending is rising across almost all developed countries.<sup>xiii</sup> Scotland's approach to public sector reform must begin with these facts, rather than ill-conceived notions that the public sector is bloated and requires arbitrary cuts.

#### **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?**

Putting aside the fact that workforce reductions are not helpful or necessary, a key barrier to greater efficiency is the Scottish Government's move away from a cast-iron policy of no compulsory redundancies. A no compulsory redundancy policy allows workers and trade unions to engage in honest conversations about how roles should change and transition to meet changing demand. A policy which leaves compulsory redundancies on the table, even as a last resort, means workers engage in discussions in a far more defensive manner and necessary reforms may face unnecessary resistance.

#### **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?**

The distinction between frontline and back-office staff is both unhelpful and dangerous.

Teachers, nurses, doctors, firefighters, care workers and cleansing staff are more efficient and their work more impactful when they have the support of administrators, researchers and support staff behind them. Is a public health researcher whose work is crucial for delivering preventative services back office and to be cut?

Experience, for example in Police Scotland, shows that a focus on 'frontline staff' and a cut in 'back office' functions can leave frontline workers stuck in the back office, doing jobs that they are not qualified for, or are over-paid for.<sup>xiv</sup> It makes no sense to have doctors or senior nurses preparing the rota when there is an administrator who could do this job for less than half the cost.

#### **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?**

The Christie Commission set out a compelling vision for Scotland's public services. Its key principles of prevention, partnership working, and empowerment remain as important now as they were then.

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

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

Simplification should be about reducing bureaucracy and targets that stymie public servants' ability to get on with the job. The introduction of new public management techniques has led to workers increasingly having to document, quantify and fill in forms to meet arbitrary targets, rather than being given the autonomy to deliver the best outcome for citizens. Teachers continually report excessive bureaucracy & paperwork <sup>xv</sup> In areas like higher education, marketisation has left workers having to apply for funding and competitively justify their work rather than being enabled to get on with the job.

Simplification should be about removing bureaucracy for public sector workers, not cutting or merging public bodies unless there is a compelling case to do so.

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

- 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.**

Any shift towards prevention will be incredibly difficult without additional funding. While in some cases we know what activity we should invest more in to prevent poor outcomes and address inequality, we don't tend to know the impact of withdrawing resource from acute services. The reality therefore is that we are likely to need to double run services.

As well as preventative budgeting/partnership working across agencies, we need to prioritise in-house provision of key services. Given financial constraints many budget holders look to make savings by outsourcing services, but evidence shows this doesn't save money in the long-run and leads to worse outcomes.<sup>xvi</sup> For example in adult social care, 16% of homes run by the private sector had at least one complaint upheld against them, compared to 6% in the voluntary and public sector; staffing resources are 20% worse in the private sector compared to the not-for-profit sector; and care worker pay is on average £1.60 an hour less in the private sector compared to the public sector.<sup>xvii</sup>

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

More honesty about is required about what is needed to maintain and improve public services.

Demographic change means public sector spending is rising across almost all developed countries.<sup>xviii</sup> Scotland's approach to public sector reform must begin with these facts, rather than ill-conceived notions that up to 20,000 jobs can be cut and services can be maintained.

Rather than conjuring up public service reform to fix real fiscal gaps, the Budget should increase tax revenue to enable public investment in preventative services and end the leakage of public funds to private profit through a major programme of insourcing.

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

We have not analysed the projects that made up this £30 million, nor are we aware of any public evaluation of these projects. More generally, while the principle of invest to save is the right one for public service reform and prevention, it should be noted that the Invest to Save fund represents 0.04% of the overall Scottish Budget and cannot therefore be depended onto make day-to-day savings of £2.6 billion by 2029-30.

**For further information contact:**

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- ii <https://fraserofallander.org/budget-day-3-reaction-council-tax-the-spending-review/>
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