Consultation Response:

Public Service Reform Committee Pre-Budget Scrutiny

August 2026

Introduction

This Voluntary Health Scotland (VHS) response to the Public Service Reform Committee's pre-budget scrutiny consultation explores Scotland's indicative spending priorities through a health lens. Health spending has equated to over 30 per cent of the Scottish Budget in recent years and, without implementing considerable reforms, this is expected to rise significantly in the years to come.

Our response, informed by insights and evidence from our membership of third sector health organisations, finds that planned efficiency savings in the health system risk undermining ambitions to make the system more sustainable in the longer term. It looks at the complexity of the current system, and the impact this has on the transparency of decision-making. It further discusses the vital role of the third sector in delivering a reformed, prevention-focused health system, as well as the significant challenges the sector currently faces.

On prevention specifically, our response reflects on the success so far of preventative budgeting and suggests a more bottom-up approach that focuses more on the impact of actual spend. This would help to ensure that quality prevention activity is prioritised when decisions are made. It further reflects on the potential role of the renewed National Performance Framework and the promised Human Rights Bill in supporting preventative spending that prioritises wellbeing and human rights.

Our response answers questions 1a, 1c, 5, 7a, 7b, and 7c.

About Voluntary Health Scotland

Voluntary Health Scotland (VHS) is a movement for health creation working to reduce health inequalities and enable the people of Scotland to live well. We believe that health is more than the absence of illness. We work with our

membership of over 320 third sector health organisations, along with wider partners, to address health inequalities and champion preventative approaches.

VHS also hosts the Scottish Community Link Worker Network, which is a network and community of practice for Scotland's 350+ primary care community link workers. A community link worker is a non-clinical practitioner based in or aligned to a GP practice or cluster who works directly with individuals to support them to engage with wider services in their local community.

To inform this response, Voluntary Health Scotland hosted a consultation event with 27 members exploring the role of the third sector in prioritising prevention. The findings from that event, plus desk-based research, form the basis of the insights and recommendations provided.

Questions

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?

We cannot comment in detail on the achievability of the proposed savings across all portfolio areas. However, we can provide some contextual commentary regarding health spending specifically, and some of the potential challenges in bringing about savings whilst also implementing the scale of reform required.

Health is the largest single area of Scottish Government spending. In the 2025-26 Scottish Budget, £21.7 billion was allocated to health and social care, equating to approximately 34% of the total budget. Indeed, resource allocated to health and social care in recent Scottish Budgets has sat at approximately 32-34% of the total budget.

Despite the level of total resource allocation on health and social care, health outcomes in Scotland are not improving. The most recent figures on healthy life expectancy for 2022-2024 show that, on average, both men and women can expect to be in ill health before their 60th birthday. When compared to average life expectancy rates for 2022-2024, this equates to about 17-21 years in ill health for the average Scottish adult.

Because of the growing burden of disease in Scotland's population, we believe it is unrealistic to expect significant financial savings to be achieved, even with proposed measures such as sub-national planning and digital transformation. In particular, the requirement for NHS boards to return 3% savings, despite increasing demand, is unlikely to be successful and could undermine ambitions regarding the shift to prevention.

Audit Scotland, in their 2025 NHS in Scotland Report, found that health funding is now 24.9% higher in real terms than it was ten years ago, and that health and care spending could rise to 55% of Scottish Government spending in 2074/75, leading to an 'overall unsustainable fiscal position'. They further state that 'improving population health is critical to the long-term sustainability of Scotland's public finances', and that 'reform and renewal of the health and care system are essential if both health outcomes and service delivery are to improve.'

The Scottish Government has acknowledged that a shift to prevention is necessary to protect the future of Scotland's health system, and indeed for the long-term sustainability of Scotland's finances. Both the Population Health Framework and the Health and Social Care Service Renewal Framework centre prevention as core principles, with the latter stating that 'With growing demand for services, increasing health challenges, and financial pressures across the system, investing in prevention and early support has never been more important.'

The policy infrastructure to drive reform in health and social care, including a shift to prevention, is strong. However, we believe it is overly ambitious to expect such a seismic shift in the delivery of health and care services whilst still meeting rising levels of demand for acute services with less resource. We believe that such an ambitious – and necessary – programme of reform requires additional investment in the short to medium term to bring about meaningful change. As such, delivering £0.5 billion in savings seems unrealistic, despite planned measures to increase efficiency in the wider health infrastructure.

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

Perhaps the greatest barrier to achieving greater efficiency in the long-term, specifically related to health and social care spending, is the complexity of governance structures at a local level. Audit Scotland's NHS in Scotland: Spotlight on Governance report from May 2025 found that 'the complexity of planning arrangements can make lines of accountability unclear and decision-making difficult.' It further highlights that the operation of Integration Joint Boards (IJBs) 'has proved difficult in practice', and that 'challenges with information sharing

and complicated governance and approval processes' in the planning of mental health services 'made it more difficult to develop and provide person-centred services.'

These governance challenges appear to have an impact on the extent to which prevention – as a key tenet of delivering efficiencies in the long-term - is prioritised at a local level, despite national policy commitments. Indeed, there is strong recognition in national policy that the third sector has a vital role to play in providing financially sustainable solutions for creating good health. The Population Health Framework Sector Summary for the Community and Voluntary Sector states that 'The community and voluntary sector is well placed to help establish and sustain communities that create good health and support people to lead heathier and more connected lives.'

Despite this, our members report numerous examples of high impact preventative activity in the third sector being defunded by local IJBs, Health and Social Care Partnerships or Local Authorities because of the drive for financial savings in the short-term. In recent years, the funding for Community Link Worker programmes in Orkney and Glasgow has been placed at risk by the local IJB or HSCP respectively, with the latter requiring emergency funding from the Scottish Government to secure its future.

Similarly, in 2024 the Edinburgh IJB made the decision to close their third sector grants programme from March 2025, despite the important contribution of the funded organisations in supporting health and wellbeing in the city. This decision left 64 third sector organisations in Edinburgh at risk of significant funding shortfalls. In response, the City of Edinburgh Council established a resilience fund to mitigate the impact, with Council Leader Jane Meagher stating that 'Many of these local charities are at the forefront of helping those in our city with the greatest need.'

These examples are indicative of local health infrastructures that are not well integrated and are not in a financial position to meaningfully prioritise prevention. A wider system that allows these types of scenarios cannot be conducive to greater efficiency.

In addition, the tendency towards short-termism in spending decisions is a barrier to greater efficiency. The limiting of much public sector spending to annual cycles creates challenges with workforce sustainability and meaningful collaboration, as well as creating a considerable amount of unnecessary administration and bureaucracy.

This is perhaps most keenly felt in the third sector where annual funding cycles create workforce uncertainty and a culture of competition over collaboration whilst undermining the development of meaningful and trusted relationships in local communities. SCVO have long called for Fair Funding for the Third Sector, and in a recent publication stated that:

'Across Scotland, third sector health organisations deliver the kind of preventative, community-based support that keeps people well, prevents ill health, and reduces demand on statutory services. But this work depends on organisations being able to operate from a position of stability and security, something that the current funding landscape simply does not provide.'

They also quote a representative from a third sector mental health organisation who stated that "The short-term funding means we can't plan, we can't invest, and we can't offer our staff any security. We spend so much time chasing the next pot of funding that it takes away from the work we're actually here to do."

We therefore welcome the reported decision to publish a five-year Programme for Government this year as this could support a shift away from short-termism in decision-making. We would welcome a shift to a more multi-year approach to budgeting, beyond the Spending Review, at a national and a local level to reflect this. A multi-year approach to resource allocation, in alignment with the Programme for Government, would support efforts to improve efficiency as well as facilitating multi-year funding for third sector partners in the delivery of public services.

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 Public Service Reform Strategy states that it will not reduce service provision. However, it is not sufficiently clear in the Strategy whether this commitment includes third sector provision. Whilst third sector organisations are not public sector, many are commissioned to deliver public sector services. In addition, the services provided by the wider third sector actively reduce demand for public sector services. This was reflected in findings from the CommonHealth Assets research project, which found that interventions from community-led organisations improved outcomes for participants across all measures, and reduced reported use of some frontline services.

An excellent example of this can be found with the Community Link Worker model. Most Community Link Worker provision in primary care settings is funded by the public sector but hosted in third sector organisations. In 2025/26, Integrated Authorities spent £15.4 million on Primary care Community Link Workers, with a resulting CLW presence in approximately 80% of GP practices in Scotland. Community Link Workers accept referrals from primary care clinicians and support patients to access sources of information, support, and connection within their local community. This is a form of social prescribing, a key commitment in the Population Health Framework.

The National Academy for Social Prescribing reported in 2024 that social prescribing referrals in several areas in England reduced GP appointments by up to 50%, and reduced A&E attendances by up to 66%. In Scotland, an evaluation of the Community Link Worker project in Clackmannanshire and Stirling found a substantial reduction in GP appointments leading to savings of up to £72,000 in 2023/24. For these reasons, the previous Cabinet Secretary for Health and Social Care reinforced the integral role of Community Link Workers in tackling poverty and inequality in his address to the 2025 Scottish Community Link Worker Network Conference.

Despite this proven impact, the VHS Essential Connections report published in November 2023, found that community link working is not universally or uniformly implemented, and many existing Community Link Worker projects do not have sustainable funding. This was highlighted last year with the proposed withdrawal of funding for the CLW project in Orkney, although we understand that this was subsequently reversed until March 2027. Similarly, in 2023, there were proposed cuts to funding for the CLW programme in Glasgow. Again, these were reversed following substantial backlash.

In addition, many of the referral pathways utilised by Community Link Workers are situated within the third sector, despite often receiving little or no public sector funding. At a recent event hosted by the Royal Society of Edinburgh, Community Link Workers shared that their roles are becoming more challenging due to the loss of local referral pathways given that many community services are shrinking or disappearing.

Another good example of the impact that frontline third sector organisations can have in supporting public sector services is Positive Help, a VHS member. Positive Help are an HIV and Hepatitis C Charity based in Edinburgh who receive most of their funding in annual grants. At a recent VHS event exploring the role of the third sector in prioritising prevention, a representative from Positive Help shared an anecdote about a beneficiary who, through their trusted relationship with the

organisation, admitted that they had stopped taking their HIV medication due to the side effects. As a result, Positive Help were able to support the person to approach their GP and resume their medication. The representative further stated that "it's not rocket science, it's about knowing people really well".

Similarly, VHS member Playlist for Life has found that personalised music for dementia and other conditions can support respite for carers and staff, help reduce distress, promote wellbeing, reduce the need for medication and contribute to preventative approaches by reducing avoidable escalation of need. These benefits are most likely to be realised when frontline teams have the capacity, training and leadership needed to embed person-centred interventions in everyday practice. In response to this consultation, they shared that: "We would like to see Scottish Government place greater emphasis on low-cost, preventative, non-pharmacological interventions which can improve outcomes for individuals and families while also helping to reduce longer-term pressure on public services."

Frontline third sector services also have an important role in identifying systemic barriers or emerging issues, further supporting preventative approaches. For example, a representative from Scottish Independent Advocacy Alliance reflected at a recent VHS event that collective advocacy has a dual prevention benefit at both an individual and at a systemic level. Collective advocacy creates spaces for people to get together, support each other to explore shared issues and find common ground. The resulting intelligence can also help planners, commissioners, service providers and researchers to know what is working well, where gaps are in services and how best to target resources.

Given the vital role of the third sector in supporting public sector services, both at an individual and at a systemic level, it is important that commitments in the Public Sector Reform Strategy regarding protecting frontline delivery are explicitly extended to the third sector.

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?

As stated in our answer to question 1(c), the current governance structures for health and social care, particularly at a local level, are overly complicated. This has a considerable impact on accountability and transparency of decision-making. Audit Scotland's NHS in Scotland: Spotlight on governance report from May 2025, found that 'the complexity of planning arrangements can make lines of accountability unclear and decision-making difficult.' This is further reflected in the perception from some of our members that the NHS is becoming overly top-heavy with increasing numbers of managerial posts. As such, simplifying decision-making related to health and social care spending at a local level should be a key priority for the Scottish Government.

The Scottish Government also has a unique opportunity, potentially through the development of the Third Sector Partnership, to learn about simpler structures and processes from the third sector. Most third sector organisations adopt highly efficient structures, often with flatter hierarchies, that avoid unnecessary complexity so that they can prioritise spending on service delivery. They are held to strong standards of governance as a result of OSCR requirements and are also often subject to considerable performance scrutiny from either donors or funders.

In 2018, the Lloyds Bank Foundation published their The Value of Small report which presented research by Sheffield Hallam University, the Institute of Voluntary Action Research (IVAR) and the Centre for Voluntary Sector Research at the Open University. This found that small and medium sized charities can react more quickly due to flat and responsive organisational hierarchies, and that they tend to be well embedded in local organisational and social networks. As such, the government should seek to engage with and learn from the third sector in reforming systems to maximise efficiency and build sustainable, trusted services.

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

We welcome the Scottish Government pilot around preventative budget tagging, and the commitment to further roll out this approach, which will help to ensure that increased resource is earmarked for preventative activity. This reflects the wider policy commitment to prevention detailed in the Public Service Reform Strategy, the Health and Social Care Service Renewal Framework, and the Population Health Framework.

However, engagement with VHS members suggests that there are some questions around the preventative budgeting approach that need to be addressed. Firstly, members reflected on the various definitions of primary, secondary, and tertiary prevention that exist and questioned how definitions are utilised to facilitate budget tagging. From a health perspective, the definitions on the different levels of prevention differ between the Population Health Framework and the recent definitions published by the Prevention Unit.

In particular, the Prevention Unit's definition of primary prevention – 'population-level action, or action which targets a large subset of the population, to build resilience and stop known risks from developing into problems' – fails to acknowledge the targeted, community-based primary prevention activity that is delivered by third sector organisations across the country. This includes the delivery of activity to improve health literacy and accessibility of communities at risk of health inequalities, including through community kitchens, health walks and specialist services like the Lanarkshire Deaf Hub's Wellbeing Hub which facilitates access to health services for deaf people. It also includes community development activity to support community decision-making and connection, such as that funded by the Community Renewal Trust in communities like Bingham in Edinburgh. As such, this definition of primary prevention needs to be reviewed to ensure that it reflects the totality of primary prevention activity taking place.

VHS members also felt that the approach to preventative budget tagging is perhaps too simplistic and doesn't reflect the complexity of frontline prevention work. The evaluation report for the preventative budgeting pilot stated that 'while every attempt has been made to systematise the prevention definition, prevention is inherently a subjective concept, and all subjectivity cannot be entirely removed from the process.' Adding to this, one of our member organisations reflected that they provide primary, secondary, and tertiary prevention activity depending on the needs of the individuals they are working with, making it difficult to 'tag' as one form of prevention.

This raised a further question regarding who is most appropriate to undertake budget tagging, and how they are qualified to do so. The Preventative Budgeting Pilot Report shared that the tagging process was undertaken by finance and policy teams within the Scottish Government, who reported a 'reasonable level of confidence' in how budget lines should be tagged utilising the preventative budgeting tool and guidance. However, it was noted in the report that 'using existing data structures and deploying a "top down" approach means that some activities cannot be broken down and therefore some estimates are less precise.'

VHS Members have suggested that preventative budget-tagging should adopt a more 'bottom-up' approach, whereby those organisations and services delivering preventative interventions facilitate the identification of the level, or levels, of prevention that they support. As well as making the tagging more accurate, this would further support the suggested areas for future development identified in the evaluation report to expand reporting on the impact of preventative activity, and to support integration with local finance systems. To facilitate this, VHS members would like the Preventative Budgeting Tool to be adapted for third sector audiences, based on feedback from the third sector, and greater efforts to upskill the sector around preventative budgeting.

We agree with the reflections in the pilot report that closer examination of budgeted vs actual spend, as well as the expansion of the impact element of the framework, are required as the approach develops. These will greatly increase understanding of the quality of actual preventative spend, and the extent to which it has achieved its intended outcomes. This is vital for ensuring greater transparency and accountability over spend on prevention, particularly given the challenging fiscal environment.

Despite the national policy narrative around prevention, many of our members are still reporting that the preventative activity they deliver is not being prioritised by local decision-makers, despite having a proven impact. The SCVO Fair Funding page on Health reports that:

'Across Scotland, third sector health organisations deliver the kind of preventative, community-based support that keeps people well, prevents ill health, and reduces demand on statutory services. But this work depends on organisations being able to operate from a position of stability and security, something that the current funding landscape simply does not provide.'

It further shares a quote by a representative from an organisation supporting people with long term conditions:

"We deliver preventative work that saves the NHS money in the long run, yet we're the first to face cuts when budgets are tight. It's completely counterproductive."

As preventative budgeting is more fully embedded, we would like to see the introduction of clear targets for primary, secondary and tertiary preventative budgeting, and actual spend, to further ensure accountability. This must also be reinforced with clear evidence on the outcomes and impact of the preventative spend in question.

There is a clear opportunity with the renewed National Performance Framework (NPF) to increase accountability around the shift to preventative spend and ensure efforts are driven by wellbeing. Whilst the new NPF has yet to be confirmed, the most recent proposals detailed in a letter to the Finance and Public Administration Committee in February 2026 from then Deputy First Minister, Kate Forbes, detail the clear link between the NPF and Public Service Reform. In particular, we welcome the suggestion that shared 'Ways of Working' could help to address the 'implementation gap' and support the delivery of effective outcomes that make a real difference to peoples' lives. If the NPF is positioned, as suggested, at the 'apex of decision-making', it should have a clear role in ensuring that the shift to prevention is focused on improving the wellbeing of Scotland's people.

Similarly, there is a unique opportunity with the Human Rights Bill, detailed in the SNP Manifesto prior to the election, to embed a rights-based approach to decision-making. The SNP Manifesto acknowledges the legal constraints of the devolved Scottish Government to incorporate human rights. However, there is an opportunity with the Human Rights Bill to ensure that human rights form the basis of spending decisions, particularly around prevention.

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.

As stated in our answer to question 7b, we believe that the lack of targets for preventative budgeting, as well as the current lack of a focus on outcomes or impact, could create an accountability vacuum around preventative spend. This, coupled with the current complexity of decision-making structures around health spend at a local level, as reported by Audit Scotland in 2025, risks the overall success of preventative budgeting.

As reported in our answer to questions 1c, 5, and 7b, spending on third sector preventative services with proven impact is often de-prioritised by local statutory bodies, particularly given the current challenging financial landscape. This is further compounded by the efficiency savings targets of 3% for NHS health boards identified in the 2026 Spending Review.

Clear targets for preventative spending at all levels, coupled with a stronger focus on impact, will support greater progress towards preventative budgeting, along with the simplification of local decision-making around spending on health.

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

As stated previously in our answers to questions 7b and c, the Government's approach to budget-setting needs to take a more long-term, multi-year approach to effectively deliver public service reform. It also needs to implement a more robust infrastructure for ensuring accountability, including a greater focus on the impact of spend and the extent to which it supports the shift to prevention.

In addition, greater transparency is required in Scottish Government spending decisions, particularly regarding spending on third sector services. It is currently very challenging to track levels of government spending in the third sector, often leaving the sector particularly vulnerable to funding cuts when savings are required. In 2025, SCVO undertook a research project to establish levels of public sector funding in the third sector. This research, based on analysis of over 600 charity accounts, identified that public sector funding made up 40% of the sector's income in 2023, worth around £3.3 billion. It further found that public sector funding of the sector has stayed at 2021 levels in cash terms, but its real term value has fallen by £177m (5%), resulting in stand-still or tightened budgets for many organisations.

The fact that SCVO were only able to uncover this information by looking at individual charity accounts is indicative of the lack of transparency around spending decisions from public sector bodies. It is vital that efforts are made to ensure that the Scottish Government's approach to budget setting is more transparent in future, facilitating greater accountability about spending which aligns with the public service reform strategy.

Summary Conclusion

In our response to the Public Service Reform Committee's consultation to inform their pre-budget scrutiny, we have identified the following recommendations:

- That the ambitious – and necessary – programme of reform detailed in the Public Service Reform Strategy requires additional investment in the short to medium term to bring about meaningful change.
- That a multi-year approach to resource allocation, in alignment with the Programme for Government, would support efforts to improve efficiency as well as facilitating multi-year funding for third sector partners in the delivery of public services.
- that commitments in the Public Sector Reform Strategy regarding protecting frontline delivery are explicitly extended to the third sector.
- That decision-making related to health and social care spending at a local level is overly complex and should be simplified.

- That the government should seek to engage with and learn from the third sector in reforming systems to maximise efficiency and build sustainable, trusted services.
- Review the definition of primary prevention developed by the Prevention Unit to ensure that it reflects the totality of primary prevention activity taking place.
- That preventative budget-tagging should adopt a more 'bottom-up' approach, whereby those organisations and services delivering preventative interventions support the identification of the level, or levels, of prevention that they support.
- That closer examination of budgeted vs actual spend, as well as the expansion of the impact element of the framework, are required as the approach to preventative budget tagging develops.
- The introduction of clear targets for primary, secondary and tertiary preventative budgeting, and actual spend, to further ensure accountability.
- That the National Performance Framework should have a clear role in ensuring that the shift to prevention is focused on improving the wellbeing of Scotland's people.
- That the Human Rights Bill should ensure that human rights form the basis of spending decisions, particularly around prevention.
- Establish clear targets for preventative spending at all levels, coupled with a stronger focus on impact, in preventative budgeting.
- That the Scottish Government's approach to budget setting is more transparent in future, facilitating greater accountability about spending which aligns with the public service reform strategy.