3 February 2014

Dear Convener

I welcomed the opportunity to debate on 21 January, alongside Stage 1 of the Budget Bill, the Finance Committee’s report on the 2015-16 Draft Budget. Following on from the comments I offered in that debate and my evidence to the Finance Committee on 28 January, I now enclose the Scottish Government’s written response. For the Committee’s convenience, I have consolidated the responses from Revenue Scotland and Scottish Environment Protection Agency into a single response.

JOHN SWINNEY
The Scottish Government welcomes the Committee’s report. Responses to each of the Committee’s recommendations are presented below.

**LBTT**

33. The Committee notes the Government’s view that, while it did not carry out a behavioural analysis, it has taken a conservative view of tax receipts at the higher end of the market. The SFC states that it will review the evidence presented to the Committee on this issue. The Committee asks the Government to provide a breakdown of the expected receipts for each band and recommends that the Government provides such a breakdown in future forecasts in the draft budget document.

The Scottish Government published an analysis of estimated revenue from residential Land and Buildings Transaction Tax (LBTT) by rate in the letter from the Deputy First Minister to the Convener on 22 January 2015. We will undertake to publish such a breakdown in future Draft Budget documents.

34. The Committee recommends that the SFC provides an update on the Government’s 2015-16 forecast relative to the available outturn figures alongside its commentary on the 2016-17 forecast. This should include an analysis of the behavioural response to the introduction of LBTT.

We understand that the Committee has invited the Scottish Fiscal Commission to respond to specific recommendations addressed to it.

The Scottish Government will consider whether the remit of the Scottish Fiscal Commission should include a retrospective analysis of the Scottish Government’s forecast against outturn.

The Scottish Government has already undertaken in the updated Written Agreement to provide a commentary on outturn figures for the devolved taxes in the Draft Budget, including any variance between outturn and forecasts.

The 2016-17 forecast will be prepared and published before the end of the 2015-16 fiscal year (2016-17 Draft Budget due to be published in September 2015, subject to UK Spending Review timetable). The 2015-16 outturn will not be reported on until the 2017-18 Draft Budget, due for publication in September 2016.

The Scottish Government will consider the Committee’s recommendation to include an analysis of the behavioural response to the introduction of LBTT, but note that it is likely to be very challenging to isolate the impact of LBTT from other factors at play in the housing market and wider economy.

35. The Committee notes that the OBR is required to produce five year forecasts for the devolved taxes and recommends that the Government should also aim to produce five year forecasts.
The Scottish Government will consider this recommendation further. The Scottish Government has aligned the time period for publication of tax revenue forecasts to the Spending Review period so that the Draft Budget includes the Government’s spending plans and tax forecasts for the same period.

43. The Committee asks the Government why their forecast is £25m lower than the OBR despite using a similar approach.

The Scottish Government’s approach to forecasting revenue from non-residential Land and Buildings Transaction Tax applies OBR assumptions on growth in commercial property prices and the volume of commercial property transactions to a three-year weighted, rolling average of historic values. By contrast, the OBR approach to forecasting revenue from non-residential Stamp Duty Land Tax uses an average of three years of receipts, which is then projected forward. The Scottish Government methodology applies the growth forecasts to a rolling average as we believe this more prudently captures the volatility of receipts.

44. The Committee recommends that the SFC provides an update on the Government’s 2015-16 forecast relative to the available outturn figures alongside its commentary on the 2016-17 forecast

We understand that the Committee has invited the Scottish Fiscal Commission to respond to specific recommendations addressed to it.

The Scottish Government will consider whether the remit of the Scottish Fiscal Commission should include a retrospective analysis of the Scottish Government’s forecast against outturn.

The Scottish Government has already undertaken in the updated Written Agreement to provide a commentary on outturn figures for the devolved taxes in the Draft Budget, including any variance between outturn and forecasts.

The 2016-17 forecast will be prepared and published before the end of the 2015-16 fiscal year (2016-17 Draft Budget due to be published in September 2015, subject to UK Spending Review timetable). The 2015-16 outturn will not be reported on until the 2017-18 Draft Budget, due for publication in September 2016.

46. The Committee asks why no separate forecast is provided for receipts from non-residential leases.

It has not been possible to develop a “bottom up” model for forecasting revenue from non-residential transactions which separately identifies revenue from purchases and from leases. The forecasting approach which we have used models the overall revenue from both types of transaction. We further note that the OBR does not publish separate estimates for revenue from non-residential leases and from purchases.

The Scottish Government will keep this position under review as we gather data on the operation of LBTT in Scotland.

Scottish Landfill Tax (SLfT)
54. The Committee recommends that the SFC provides an update on the Government’s 2015-16 forecast relative to the available outturn figures alongside its commentary on the 2016-17 forecast.

The Scottish Fiscal Commission will respond to specific recommendations addressed to it.

The Written Agreement on the Budget Process (as revised in December 2013) provides that the Draft Budget will provide a commentary on outturn figures for the devolved taxes, including any variance between outturn and forecasts. The 2016-17 Draft Budget will be prepared and published before the end of the 2015-16 fiscal year. The Scottish Government will therefore formally report on outturn against the 2015-16 forecast for the devolved taxes in the 2017-18 Draft Budget.

**Block Grant Adjustment**

61. The Committee finds it unacceptable that the Parliament is being asked to consider the Draft Budget without knowing what impact the block grant adjustment may have on the Government’s spending proposals. The Committee’s view is that the adjustment needs to be agreed and fully explained to the Parliament prior to Stage 3 of the Budget Bill.

I wrote to the Committee on 14 and 19 January 2015 setting out the agreement made with the Chief Secretary to the Treasury regarding the block grant adjustment for the devolved taxes, and provided an update when I appeared before the Committee on 28 January 2015. This agreement consisted of a headline reduction to the block grant of £494m for 2015-16. The agreement was reached with no prejudice or precedent for future block grant adjustment discussions. Two further issues remain to be agreed, that of the effect for forestalling and the collection lag in the first year, and officials are doing further work on these. I will bring forward an update on these issues in due course.

62. The Committee emphasises that there needs to be much greater transparency from both governments and the Scottish Government should consult with the Parliament prior to the agreement of future adjustments to the block grant arising from the devolution of further fiscal powers. The Committee also emphasises that sufficient time is made available to allow effective parliamentary scrutiny of the adjustments to the block grant prior to implementation. The Committee recommends that the Written Agreement is amended to include reference to the procedure and timings for the Government to consult with the Committee on future adjustments.

63. The Committee is concerned that UK Ministers have on occasion not been available to provide evidence that would have allowed the Committee to scrutinise the issues under consideration in the negotiations.

A key requirement of any block grant adjustment is that it is transparent and that the Parliament can agree to it. It is regrettable how long it has taken to reach the agreement over the block grant adjustment for the devolved taxes, and it would have been much more preferable to have been able to agree it at an earlier date. I will take forward the issues raised by the Committee when seeking a permanent block grant adjustment mechanism.
support the Committee aspiration for Treasury Ministers to appear before the Committee, which would add to the scrutiny of the agreement on a permanent block grant adjustment mechanism.

I welcome the scrutiny that the Parliament provides over the block grant adjustment, and will seek to continue to work with the Finance Committee to see how this can best be achieved with future agreements. My officials and the Committee clerks are discussing necessary changes to the Written Agreement and I would be happy to consider any recommendations that may be made in this area.

64. The Committee notes that the Cabinet Secretary had yet to respond to the proposal from the UK Government, when he gave evidence on 1 December, to have an initial adjustment just for 2015-16. The Committee would be disappointed if the initial adjustment is for one year, but if this is the case, recommends there should be a reconciliation with outturn receipts.\(^{42}\)

As I have already noted a one year agreement has been reached with respect to the block grant adjustment for the devolved taxes for 2015/16. A one year agreement was reached because of a pressing need to confirm details to allow the passing of the budget bill, and it had become clear that HMT were not willing to agree a permanent mechanism in the time available. There will be no reconciliation of the block grant adjustment; it has been set at £494m and by doing so it allowed me a greater certainty to confirm my draft budget. That there will be no reconciliation will also mean that any receipts above forecast will be able to be paid into the cash reserve rather than be returned to the UK exchequer.

65. The Committee supports the Cabinet Secretary in resisting the inclusion of a “constraining factor” within the block grant adjustment and agrees that it totally defeats the point of devolving the taxes.

As has been agreed with the one year block grant agreement, it should be the case for all future block grant adjustment mechanisms that the Scottish budget should benefit if devolved taxes perform better than if the taxes had not been devolved. As the Chief Secretary to the Treasury discussed with the Committee on 28 January this principle is a key part of the Smith Commission’s recommendations and will form part of the fiscal framework. It was also reflected in the spirit of the original Strengthening Scotland’s Future Command Paper of November 2010. This is a principle that I will continue to defend.

67. The Committee notes the Cabinet Secretary’s concern about the practical implications of some of the Smith Commission recommendations and intends to carry out further work on the proposals for fiscal devolution in the New Year including in relation to the impact on the block grant.

I have previously set out to the Parliament my view that the publication of the Command Paper and associated clauses are another important step in providing this Parliament with further levers to improve the lives of the people of Scotland. The negotiation around the fiscal framework will be more complex than negotiations on block grant adjustment for the Scotland Act 2012, although that experience is one we can build on. There are new factors – such as the “no-detriment” policy, and the block grant adjustment approach for the assignment of VAT revenues and additional welfare spending powers, which will need to be discussed and agreed. It is welcome that the UK Government has acknowledged
that we must move forward by negotiation and agreement in the many important issues that the fiscal framework will cover. I would welcome any contributions the Committee may seek to make in this area, and I look forward to discussing them further with the Committee.

Establishing and Running the Devolved Taxes

76. The Committee welcomes the further update from Revenue Scotland, RoS and SEPA and notes the evidence provided on 17 December that the organisations “are on track to deliver”. The Committee will continue to monitor progress ahead of implementation and will invite all three organisations to provide written and oral evidence in March 2015.

Revenue Scotland, RoS and SEPA welcome the opportunity to keep the Committee updated on progress in March 2015. The Public Audit Committee has also asked for an update on progress by 27 February 2015.

80. The Committee asks the Government to provide updated figures for staff and non-staff set-up costs and running costs for Revenue Scotland compared to the initial estimate in the RSTP Bill FM. The Committee would also welcome confirmation of the final staff numbers for implementation posts and operational posts compared with the initial estimates in the FM.

a) Revenue Scotland has provided the table below which shows the current figures for staff and non-staff set up costs and running costs compared with the initial estimates within the RSTP Bill FM.

<table>
<thead>
<tr>
<th>REVENUE SCOTLAND</th>
<th>Staff (£000)</th>
<th>Non Staff (£000)</th>
<th>Total Costs (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSTP Bill FM estimated set up costs (2013- March 2015)</td>
<td>1,810</td>
<td>455</td>
<td>2,265</td>
</tr>
<tr>
<td>Updated figures Set up costs (2013–March 2015)</td>
<td>3,259*</td>
<td>473</td>
<td>3,732</td>
</tr>
<tr>
<td>Increase/(Decrease)</td>
<td>1,449</td>
<td>18</td>
<td>1,467</td>
</tr>
<tr>
<td>RSTP Bill FM estimated running costs (April 2015 – March 2020)</td>
<td>6,550</td>
<td>3,700</td>
<td>10,250</td>
</tr>
<tr>
<td>Updated figures running costs (April 2015 - March 2020)</td>
<td>7,573</td>
<td>3,802**</td>
<td>11,375</td>
</tr>
<tr>
<td>HMRC Transfer</td>
<td>(1,375)***</td>
<td></td>
<td>(1,375)</td>
</tr>
<tr>
<td>Increase/(Decrease)</td>
<td>(352)</td>
<td>102</td>
<td>(250)</td>
</tr>
</tbody>
</table>

Notes:
* Increased resources on the overall programme management and key aspects required to begin collection of the taxes on day one include investment in staff costs and £608k of this total will fall in 2015/6.

** 45k of this total is for training of operational staff which will fall in 2014/5.

*** As set out in the figures provided to the Committee at the end of November, HMRC has agreed to make a transfer of £275k p.a. of operational savings, making a total of £1375k over five years.

The table below provides the current figures for Revenue Scotland’s additional costs identified in the RSTP Bill FM.

<table>
<thead>
<tr>
<th>REVENUE SCOTLAND</th>
<th>Additional compliance activity for 2015/6 (£000)</th>
<th>Additional IT Investment (development and maintenance) 2014 - March 2020 (£000)</th>
<th>Additional IT Investment (staffing) 2014 - 2016 (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSTP Bill FM estimate</td>
<td>150</td>
<td>1,500</td>
<td>0</td>
</tr>
<tr>
<td>Updated figures</td>
<td>165</td>
<td>1,768</td>
<td>562</td>
</tr>
<tr>
<td>Increase/(Decrease)</td>
<td>15</td>
<td>268*</td>
<td>562**</td>
</tr>
</tbody>
</table>

Note:
* Increased resources for key aspects of development of the processes and systems and additional staff are partly offset by saving of £245k under SEPA budget lines (see response to question 84 below).
** As reported to the Committee at the end of November, these costs are the result of increased investment in staff costs for implementation, with some of these costs now falling in 2015/16.

b) Table 2 of the RSTP Bill FM provided initial estimates of the staff posts for set up. The 39 posts identified included a breakdown of separate aspects of the set up including the recruitment of 20 staff for the operational team between October 2014 and April 2015.

Revenue Scotland has reported that as a result of the recommendations of a gateway review in February 2014, the overall set up implementation programme was reorganised and its governance strengthened. From this time, there has been a distinction made between people working on the Tax Administration Programme (TAP) and those being recruited for Revenue Scotland operational business which makes a direct comparison difficult.

The TAP team currently consists of 42 posts, including short-term appointments. 5 of these post-holders will transfer into the operational team prior to April 2015. Including these 5, 22 people are now either in post or have accepted a post within the operational structure with recruitment underway for the remaining staff. Further information on the posts within the operational structure are provided below.
c) Revenue Scotland notes that the Committee’s report at paragraph 78 compares the 41 staff in the ‘anticipated future staffing structure’ with the 30 staff estimated in the RSTP Bill FM. It may be helpful for the Committee to be aware that the 41 staff are 38 core Revenue Scotland staff plus the 3 staff for ‘additional compliance activity’ for the first year only as costed separately in the RSTP Bill FM. This is illustrated in the table below.

<table>
<thead>
<tr>
<th>REVENUE SCOTLAND OPERATION POSTS</th>
<th>NUMBER OF OPERATIONAL POSTS (incl. Chief Executive)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSTPB FM estimate (Table 4)</td>
<td>30</td>
</tr>
<tr>
<td>Staff as a result of additional compliance staff costs in RSTPB FM estimate (Table 10) for 2015/6 only</td>
<td>3</td>
</tr>
<tr>
<td>Total RSTPB FM staffing</td>
<td>33</td>
</tr>
<tr>
<td>Updated Estimate</td>
<td>41</td>
</tr>
</tbody>
</table>

83. The Committee notes that SEPA will not now have a role in collecting SLfT and asks why this does not appear to have had any impact on its running costs.

The original estimates for running costs for SEPA to undertake work on behalf of Revenue Scotland for SLfT were submitted, based on a high-level understanding of the role SEPA would be required to undertake on behalf of Revenue Scotland.

The majority of the original estimated running costs related to the compliance and enforcement role that SEPA was expected to undertake and is still to undertake. However, as the Committee has correctly highlighted, the original estimates were made on the basis that SEPA would also collect tax data and process SLfT transactions, which will now be done by Revenue Scotland.

This change has resulted in a significant reduction in SEPA’s original setup costs (£245k). There has been less impact on the running costs because there are only 57 licensed landfill operators in Scotland who are expected to make quarterly returns and payments of tax. This means that only around 250 returns and payments need to be processed each year and the costs of this are small compared to the work on compliance and enforcement. Some of the savings made have then been reinvested to bolster SEPA’s role in compliance, for example in areas of accredited waste sampling and scientific analysis and waste data processing.

84. The Committee asks the Government to provide updated figures for staff and non-staff set-up costs and running costs for SEPA compared to the initial estimate in the RSTP Bill FM.

The table below provides the current figures for staff and non-staff set up costs and running costs for SEPA compared with the initial estimates within the FM.
<table>
<thead>
<tr>
<th>SEPA</th>
<th>Set up costs (July 2013-2015) (£000)</th>
<th>Running Cost (April 2015 – March 2020) (£000)</th>
<th>Total Cost (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSTP Bill FM estimate</td>
<td>625</td>
<td>1,600</td>
<td>2,225</td>
</tr>
<tr>
<td>Updated figures</td>
<td>380</td>
<td>1,522</td>
<td>1,902</td>
</tr>
<tr>
<td>Increase/(Decrease)</td>
<td>(-245)</td>
<td>(-78)</td>
<td>(-323)</td>
</tr>
<tr>
<td>Collection of SLfT on Illegal Dumping</td>
<td>0</td>
<td>1,050</td>
<td>1,050</td>
</tr>
<tr>
<td>Updated figures</td>
<td>0</td>
<td>1,044</td>
<td>1,044</td>
</tr>
<tr>
<td>Increase/(Decrease)</td>
<td>0</td>
<td>(-6)</td>
<td>(-6)</td>
</tr>
</tbody>
</table>

The table below provides the current figures for the additional compliance activity identified for SEPA in the RSTP Bill FM.

<table>
<thead>
<tr>
<th>Additional compliance activity for 2015/16 (£000)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSTP Bill FM estimate</td>
</tr>
<tr>
<td>Update figure</td>
</tr>
<tr>
<td>Increase/(Decrease)</td>
</tr>
</tbody>
</table>

Potential Tax Gap for LBTT

91. The Committee asks Revenue Scotland to provide updated figures for total annual staff running costs for compliance activity in relation to LBTT.

Revenue Scotland has provided an organogram at Annex A which indicates that 18 (44%) of the 41 operational posts identified for Revenue Scotland have compliance activity as a key component of the role (including the 3 ‘additional’ posts for one year only discussed under the response to question 80). A further 11 (27%) roles involve some compliance activity and the remaining roles have been identified as having minimal involvement in compliance activities. Most of the staff will work on both LBTT and SLfT.

The costs for the additional 3 compliance staff within Revenue Scotland for 2015/6 remain at £165k and Revenue Scotland will make special arrangements to monitor their activity. The overall staff running costs for Revenue Scotland in 2015/6 are estimated at £1.7m (incl. the addition £165k for specific compliance costs), and annual costs thereafter are £1.5m.

At this time, any estimates of the split of core running costs between compliance and other work, and between LBTT and SLfT, would be based on broad assumptions about
workload without the benefit of experience of these taxes in operation. Better estimates will be possible in future years, informed by operational experience. Revenue Scotland notes, however, that it has not budgeted to implement a time/activity recording system for the 38 core operational staff which would allow it to report fully on core running costs split between different aspects of tax administration, such as compliance, or between the two taxes.

92. The Committee recommends that Revenue Scotland’s annual report includes details of the compliance yield (additional revenue generated through compliance activities) including by yield type, for example, through closing tax loopholes.

Revenue Scotland has commented that their annual report will include information regarding additional revenue generated directly through compliance activities.

The details of how that information will be presented are under consideration and Revenue Scotland notes the Committee’s recommendation. Revenue Scotland is in the process of developing a performance and reporting framework and would be happy to share this with the Committee in due course.

It is worth noting at this stage that compliance activities are expected to have an indirect effect on revenues, as well as a direct one, for example through deterrent and preventive effects. Indirect effects are very difficult to quantify and it is unlikely that Revenue Scotland will be able to provide meaningful estimates of these.

93. The Committee asks what amount of tax the Government expects to collect as a result of compliance activity.

The legislation now in place for LBTT and SLfT should provide a strong foundation for tackling tax avoidance and evasion. The Scottish Government notes that Revenue Scotland is putting in place a core team of staff with a strong emphasis on compliance and that it would therefore expect that any remaining ‘tax gap’ would be small. To test this, Scottish Government has agreed that Revenue Scotland should recruit three additional staff for one year only as set out in the RSTP Bill FM and monitor the results of this additional activity compared to the costs, to allow both the Scottish Government and the Scottish Parliament to make informed decisions about the right level of investment in compliance activity by Revenue Scotland in future years.

Scotland Act Implementation

96. The Committee asks why the budget line for Scotland Act 2012 implementation has been reduced from £40m to £25.7m for 2015-16 and to provide a breakdown of the allocation of £25.7m.
The reduction of £14.3 million comprises:
- £4.3 million for Revenue Scotland costs, which is now shown as a separate Level 2 budget (under the FESG portfolio in the Draft Budget – Table 6.01 on page 45), and
- £10.0 million relating to a re-phasing of HMRC costs for the SRIT implementation project. These costs will still be incurred, but will now fall due in 2016-17 and 2017-18. They reflect actions which will be taken around the pensions relief at source solution and elements of IT spend on the self-assessment solution.

The budget allocation of £25.7 million breaks down as follows:
- £25.0 million – Scottish rate of income tax
- £0.5 million – SDLT switch off costs (incurred by HMRC)
- £0.2 million – Scottish Tribunal Service (Scottish Tax Tribunals)

97. The Committee asks for a breakdown of the £4.3m allocated to Revenue Scotland including the total allocated to RoS and SEPA.

The following table provides the breakdown of the Revenue Scotland allocation, including the amounts Revenue Scotland will pay to RoS and SEPA.

<table>
<thead>
<tr>
<th>Breakdown of RS Budget</th>
<th>Draft Budget 2015-16 (£M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Costs</td>
<td></td>
</tr>
<tr>
<td>RS remaining set up costs</td>
<td>0.6</td>
</tr>
<tr>
<td>RS operating costs</td>
<td>2.2</td>
</tr>
<tr>
<td>RoS operating costs</td>
<td>0.3</td>
</tr>
<tr>
<td>SEPA operating costs</td>
<td>0.3</td>
</tr>
<tr>
<td>Additional Investment</td>
<td></td>
</tr>
<tr>
<td>RS IT costs</td>
<td>0.4</td>
</tr>
<tr>
<td>RS/SEPA additional compliance (0.2/0.1)</td>
<td>0.3</td>
</tr>
<tr>
<td>SEPA illegal waste investigation</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>4.3</strong></td>
</tr>
</tbody>
</table>

**TOTAL ANALYSIS**
- RS TOTAL 3.4
- RoS TOTAL 0.3
- SEPA TOTAL 0.6
- **TOTAL** 4.3

As noted above (in response to paragraph 96), SRIT implementation costs have been re-profiled and a further update on project costs will be able to be provided with the next annual report on the implementation and operation of part 3 (financial provisions) of the Scotland Act 2012 due in April.

102. The Cabinet Secretary suggested to the Committee that if the tax receipts exceed forecasts then the Government should have the flexibility to either spend the revenues or put them in the cash reserve. The Committee agrees with this and will raise the matter with the Chief Secretary to the Treasury.

It could only be consistent with the principles of devolution that Scotland should have control over its devolved tax receipts. It is therefore equally clear that, whilst a cash reserve facility should exist, the Scottish Government must have full flexibility over the use of any funds that accrue to it. I welcome the Committee’s support on this matter. I have previously written to the Chief Secretary to the Treasury on this point and I will continue to press HM Treasury that Scotland should have full flexibility over the use of the cash reserve.

Non-Domestic Rates Income (NDRI)

107. The Committee asks the Government to explain why the figure for 2012-13 in Table 7 is different from the audited figure.

The figure of £2,346.9 million reported in table 7 of the Finance Committee, 1st Report (Session 4) is the final outturn amount for 2012-13 (final outturn figures are reported in the annual Scottish Local Government Financial Statistics publication, http://www.scotland.gov.uk/Topics/Statistics/Browse/Local-Government-Finance/PubScottishLGFStats). The figure of £2,378 million quoted by Audit Scotland in their annual report on the 2012-13 audit of the non-domestic rating account refers to the Provisional Contributable Amount (PCA) for 2012-13 and is an earlier estimate made by each local authority which is required in order to calculate the non-domestic rating contribution for the year before it begins. It is the PCA on which payments to local authorities are based that forms the basis of the rating account and the subsequent report by Audit Scotland. Differences between the PCA and the final outturn are taken into account as prior year adjustments in setting the amount available for distribution in future years.

108. The Committee recommends that in future the SFC report on NDRI should include commentary on the latest available balance of the NDR account and the implications for the draft budget if the outturn figures vary from the forecast.

The Scottish Government publishes a Non-Domestic Rating Account which is already subject to external financial audit through Audit Scotland who produce their own annual report on the outturn and financial position, together with an action plan setting out any key risk areas and planned management action. Any deficit or surplus on the rating account in a financial year would be carried forward and taken into account in setting the amount to be distributed to local authorities in future years and the wider budget implications considered and confirmed in the Draft Budget and subsequent Budget Bill.
There is also a timing disconnect in terms of the availability of final outturn figures for the preceding financial year which would not be available until after the publication of the Draft Budget for the forthcoming financial year so any commentary at the time of the Draft Budget could only be based on outturn information that was two years old and had already been taken into account in setting the budget for the current year.

The Scottish Government is not persuaded of the added value in asking the Scottish Fiscal Commission to supplement existing audit and scrutiny arrangements, but will keep the position under review.

111. The Committee recommends that in future the SFC commentary on NDRI should include an analysis of the economic determinants underlying the forecast.

The Scottish Fiscal Commission is an important part of Scotland’s fiscal framework and provides Parliament and the public with independent assurance over the reasonableness and integrity of forecast revenues from the two new Scottish taxes, Land and Buildings Transaction Tax and Scottish Landfill Tax, and the economic factors which underpin forecast receipts from non-domestic rates.

The Commission currently operates on a non-statutory basis. The Programme for Government statement in November 2014 indicated that the Scottish Government intended to bring forward legislation to put the Scottish Fiscal Commission on a statutory footing. This will include enshrining in legislation the role of the Scottish Fiscal Commission in providing an analysis of the reasonableness of the economic determinants which underpin forecast receipts from non-domestic rates.

Borrowing

120. The Committee asks that it is provided with details of the terms of borrowing once agreed with HM Treasury.

Details will be provided in due course.

Non-Profit Distributing (NPD) Model

127. The Committee recommends that detailed data on the on-going unitary charges resulting from long-term investment commitments are included in future in Annexe A of the draft budget.

Details of on-going unitary charge payments are already published on the Scottish Government website, link attached;

http://www.scotland.gov.uk/Topics/Government/Finance/18232/12308

A link to this data will be included in future documents.

131. The Committee asks the Government to provide the underlying data behind Figure 1 in Annex A of the Draft Budget.
There is some commercial sensitivity regarding elements of the underlying data behind Figure 1 in the Draft Budget. Subject to that commercial sensitivity, Scottish Government is happy to provide further analysis.

132. The Committee recommends that the SFC should have a role in monitoring the Government’s long-term investment commitments and an update is provided annually alongside the publication of the draft budget.

Scottish Government does not consider that the monitoring of long term investment commitments as currently set out in Annex A of the Draft Budget falls within the remit of the SFC. Scottish Government is considering a broader role for the SFC in assessing any wider prudential borrowing regime that might be applied in follow up to the Smith Commission proposals.

Broadband

144. The Committee notes from its visit to Arran this year and to other rural communities in previous years that broadband connectivity is a significant issue. The Committee supports the commitment of the Government to delivering superfast broadband across Scotland and emphasises the need to do so in rural and island communities at the earliest opportunity.

Scottish Government welcomes the Committee’s support for the extension of superfast broadband into remote and rural areas and its recognition of the economic importance of this investment.

The Scottish Government’s superfast fibre broadband programme will bring access to fibre broadband to over 95% of premises across Scotland by end 2017. Two separate contracts with BT—one covering the Highlands and Islands and the other the rest of Scotland, are being delivered currently, whilst Scottish Government has recently announced extended support for Community Broadband Scotland which supports local communities that lie outside of the anticipated reach of these programmes to develop their own sustainable connectivity solutions.

As part of the superfast broadband programme, over 250 miles of sub-sea cables were laid over the summer. This included cables from Campbeltown to Shiskine on the West Coast of Arran and from West Kilbride to Corrie on the East Coast of Arran. It is anticipated that communities in Arran will be able to access the new network from Spring 2016.

Police Reform

152. The Committee supports the recommendation of the Justice Committee that the Government works with the Scottish Police Authority (SPA) and Police Scotland “to ensure the timetabling of savings does not place unnecessary pressures on the delivery of police services.”

The savings targets for the first two years of Police reform have been delivered. The Government will continue to work closely with the SPA and Police Scotland to explore all possible options for delivering next year’s savings whilst protecting frontline policing services.
Welfare Reform

157. The Committee asks whether the benchmarking exercise has been completed and if not when it will be and whether the Government has received a request from COSLA for additional funding to administer the welfare fund.

The Scottish Government received information about the outcome of COSLA’s benchmarking exercise on 14 January. It suggests that the costs of delivering the Scottish Welfare Fund are some £1.7 million above that being provided by the Scottish Government. We are currently considering the outcome of COSLA’s benchmarking exercise and will be discussing it with them in due course. However, the Scottish Government’s priority is to deliver the Fund in as cost effective a way as possible and maximise the funding available to those in need of support from the Scottish Welfare Fund.

Climate Change Targets

160. The Committee recommends that prior to summer recess the Government should work with the RACCE Committee to agree timings for the future publication of funding information for climate mitigation measures.

The Scottish Government will continue to work to ensure that information about the funding of measures intended to help the achievement of greenhouse gas emissions reduction targets is available to assist the scrutiny of draft budgets as soon as reasonably practicable.

Fuel Poverty

165. The Committee supports the EET Committee in calling for a full cost analysis of what it will take to achieve the statutory target.

Modelling a full cost analysis of achieving the statutory target may be desirable but would also be very complex and would also depend on the scope of any new powers available to the Scottish Government as a result of the Smith Commission. Officials are currently exploring whether a full cost analysis is possible but, due to the complexity, such modelling could prove to be very expensive and of limited accuracy. I will report back to the committee on further plans on this front as they develop.

The Scottish Government are still committed to eradicating fuel poverty in Scotland and have invested over £300m since 2009 on a range of Fuel Poverty and Energy Efficiency programmes. Scottish Government spending on domestic energy efficiency is £94 million in both 2014-15 and 2015-16. These interventions have already made hundreds of thousands of homes warmer and cheaper to heat and has helped to mitigate the rise in fuel poverty. Despite our investment, our efforts are being undermined by the lack of a competitive energy market delivering fair and transparent energy bills.

National Performance Framework (NPF)

176. The Committee supports the view of Audit Scotland that the Government
“needs to demonstrate a more systematic approach to implementing its outcomes approach by clarifying the links between longer-term outcomes, its priorities and performance measures across all policy areas.”

I am of the same view as the Committee and Audit Scotland which is why work is already underway to improve the strategic policy framework with clearer links made to the National Performance Framework in policy and priority setting documents.

177. The Committee asks whether the NPF is intended to be used by the Parliament to scrutinise the performance of Scotland’s public bodies and the Scottish Government.

The purpose of the Scotland Performs website is to provide a continually updated, impartial and transparent stocktake of how Scotland is performing as a nation against the wide range of indicators set out in the NPF. It provides a wealth of evidence and data for the Parliament and its Committees to scrutinise the Government’s interventions and progress towards the Purpose and National Outcomes. Openness and transparency of this kind are essential elements of improvement and delivery.

I am pleased to note from the Committee’s report that the performance information and scorecards the Government produced to assist Committees in their scrutiny of the Draft Budget have been widely used.

Spending and Outcomes

192. The Committee recommends that there is much more emphasis within the budget process and financial scrutiny more generally on examining the impact of spending on outcomes. One approach as demonstrated by the EC Committee above is to scrutinise a specific budget line against a declared policy outcome.

The assessment of outcomes is complex and it is neither practical nor feasible to attribute each pound spent to a single outcome. In reality, most interventions, actions and activities will influence a whole range of outcomes.

However, to support the work of the Parliamentary Committees in scrutinising the Draft Budget, this year for the first time, along with the performance scorecards, the Government provided a report which outlined the key choices we have made and a number of representative examples to demonstrate the inter-relationship between the Government’s activities, spending plans and Scotland Performs. These examples highlight the clear and evidenced link that exists between the priorities set out in the Draft Budget and improved outcomes for the people of Scotland. The intention is to build on this in future years to support the Parliament, as appropriate, in its scrutiny of the Draft Budget.

A Decisive Shift to Prevention

201. As is outlined below in relation to each of the Change Funds and the role of CPPs, there is little evidence of the essential shift in resources taking place to support a preventative approach. However, the Committee continues to be supportive of the Government in seeking a decisive shift to prevention and
recognises that some progress has been made especially in relation to integrated working.

The Scottish Government’s comprehensive programme of public service reform is at the heart of an ambitious vision for a fairer and more prosperous society. The Committee’s continued support for a decisive shift to prevention is welcome, as if we are to improve outcomes for people and reduce inequalities we need to stop problems arising or deal with them early on.

There is evidence of the change funds beginning to realise benefits for individuals, families and communities. The funds are also helping to spread an approach where services are tailored to meet the needs of people who use them, particularly those who have historically found services difficult to reach, and focused on delivering long-term outcomes rather than crisis management.

While evidence of positive change at local level is emerging we need to see this replicated more quickly and at a greater scale. This requires new ways of working, with public servants thinking and behaving differently. Making this change across mainstream services is challenging and the Scottish Government agrees there is still much to do on what is a long-term prevention journey.

A culture change is necessary to deliver new approaches, such as sharing budgets, to help address the complex problems people face and reduce inequalities. This will only be achieved through greater levels of integration between public service partners and good progress is being made to ensure local partners work more effectively with communities and with each other. Actions to strengthen Community Planning Partnerships and the introduction of Health and Social Care Partnerships will both improve collaboration at the local level and help to accelerate progress on prevention.

**EY Change Fund**

212. The Committee remains concerned that despite an investment of £274.25m in the EY Change Fund little evidence has been provided of any shift in the £2.7 billion funding for early years services towards prevention and early intervention. Indeed, the average 11.2% real terms cut to nursery school places between 2010-11 and 2012-13 and the wide variation in spending per place suggests the opposite.

The Early Years Change Fund was established as a starting point for reconsidering the way the public sector invests the totality of its resources in early years services, with a focus on moving towards early intervention and prevention. This focus on supporting families during a child’s early years is recognition that this is the key time in which we can truly prevent, rather than simply delay or reduce the impact of problems. This work contributes towards achieving the following outcomes from the National Performance Framework:

- Our children have the best start in life and are ready to succeed.
- We have improved the life changes for children, young people and families at risk.
- Our young people are successful learners, confident individuals, effective contributors and responsible citizens.
In addition to the work around the National Performance Framework, the Scottish Government also gathers returns from Community Planning Partners specifically on the Early Years Change Fund in their area; to give us an indication of the priorities for CPPs and how resources are allocated at a local level. This includes gathering information on:

- The outcomes CPPs have identified as needing improvement.
- How CPPs will measure the impact of this activity.
- What specific actions CPPs will to take to achieve these outcomes.
- Specific examples of preventative spending and disinvestment in the CPP area.
- The actual spend for early years activity 2013-14 through the Change Fund and relevant spending beyond the Change Fund resources.

Returns for the second year (2013-14) of the Early Years Change Fund were due to be submitted to the Scottish Government by 24 November 2014, however a number are still outstanding. Analysis will be completed by the Spring and, at this point, we will have an up to date picture of the first two years of the Change Fund.

In addition, projects and initiatives funded by the Scottish Government as part of the Change Fund such as the Public Social Partnerships, the Psychology of Parenting and PlayTalk Read, amongst others, are also being evaluated individually in terms of their contribution towards the change agenda and their long-term impact. This includes the development of the Early Years Collaborative (EYC), which has supported transformational change with numerous examples of this. Work is currently being undertaken to provide a national level picture of the local work happening across and beyond the EYC. The EYC has also established stretch aims for each of the workstreams and the information around these aims will also contribute to the picture of how the changes in approach and shift of resources are having a real world impact over key issues.

By the very nature of work in early years policy, many of these outcomes, aspirations and approaches take time to embed and to gather data on as the impacts are only seen in the medium to long-term.

All this information and data taken together provides a broad, national level picture of how the spectrum of investment is working to contribute to transformational and sustainable change. However, the Change Fund is not yet completed and can only be properly considered following the end of the Change Fund and the final transition year.

In relation to the Committee’s point about an 11.2% real terms cut to nursery school places between 2010-11 and 2012-13, while it is unclear where this information comes from, the Committee may wish to note that the number of children registered for a pre-school place increased from 92,030 to 102,871 between September 2010 and September 2013. In addition, between 2011-12 and 2012-13, total revenue spend by local authorities on pre-school education increased by 2% in real terms, and the Scottish Government has committed a further £329m in revenue and capital funding over the financial years 2014-15 and 2015-16 to fully fund the provisions in the Children and Young People (Scotland) Act 2014 relating to early learning and childcare.

213. The Committee invites the Government to set out its criteria for judging
the effectiveness of the EY Change Fund including what percentage of the £2.7 billion it expects to see shifted by the end of 2015-16 and what analysis it intends to publish to assess the impact of the fund.

The real impact and legacy of the Early Years Change Fund will be in the improved outcomes of children, young people, families and communities in Scotland, as evidenced by the work around the National Performance Framework.

The Early Years Change Fund represented, for the first time, a collective financial mechanism for delivering on the aspirations of the Early Years Framework and is very much a partnership approach. The vision, as set out in the Early Years Framework, does not attempt to set an arbitrary figure but instead encourages different ways of approaching service delivery.

For example the Framework suggests that a “simpler, integrated structure of services [...] has potential to deliver greater value for money”¹. There are already clear examples of this happening across CPP areas, for example from this round of CPP returns, East Lothian has an ‘Early Years Internal Panel’, which sees partner agencies work together to ensure appropriate outcomes and the deployment of partnership resources appropriately, intent on reducing the long term cost for supporting vulnerable families. In addition, Aberdeen City Council has said that the Early Years Change Fund has “provided the opportunity to increase provision of the most highly effective services to ensure a better continuum of options for children and families, designed to best meet the needs of individual children and families. Systems and processes have been reviewed and redesigned where required to ensure children and families receive appropriate, proportionate and timely support.”

Once all the CPP returns have been received and analysed, the national picture of these sort of approaches will be clearer. The returns will be published on the Scottish Government website alongside a summary report of the activity for that financial year.

214. The Committee also asks what further action the Government will take if the EY Change Fund fails to deliver the expected transformational and systems change and a decisive shift towards prevention.

The Fund is not yet finished and the impact of the Change Fund will take time to become clear but there is already evidence that this approach has supported transformational change and a shift towards prevention.

Some examples from this year’s returns include:

- In Perth and Kinross there has been an emphasis on enhancing the capacity of parents to identify and take action themselves to prevent negative outcomes for their children. This includes increasing skills in early identification and interventions related to managing child behaviour and to improving awareness of, and actions to, improve child development and nutrition.

- In Orkney, within the past year Health Visitors have moved away from carrying out routine immunisation clinics. Despite numerous attempts to use these clinics as

¹ P6 The Early Years Framework, Scottish Government and COSLA (2008)
health promoting opportunities they were invariably task orientated and stressful for the parents. Health visitors have instead reinvested their time in implementing the new pathways in line with the Children’s Scotland (2014) Act.

- In Clackmannanshire there has been a reduction in funding to some areas of Service where the operation was not fully aligned with the SOA priorities. The CPP conducted a review of all services within the area and are continuing to ensure resource allocations and monitoring of interventions continues to support the achievements of the Community Planning outcomes detailed in the SOA.

As already stated, full analysis of this will support the national picture. The EYC is also an example of how the Change Fund has helped shift our approach and working towards transformational change.

215. The Committee will invite SPICe to provide an analysis of the EY Change Fund returns when they are published in the New Year and will then take evidence from the Minister for Children and Young People.

The Scottish Government would welcome analysis from SPICe on the Early Years Change Fund returns and will notify SPICe once these are available online.

218. The Committee asks how the Government is measuring the success of the EY Change Fund and the shift towards early intervention and prevention without measuring the impact on early childhood development and school readiness.

The Children and Young People’s Act has made it a requirement for local authorities to monitor and report on the wellbeing of all children and it is anticipated that this newly available data will be used by local authorities to identify those children most in need to prioritise services.

One of the EYC stretch aims is that 90% of all children within each CPP have reached all of the expected development milestones at the time the child starts primary school, by end 2017. All 32 CPPs have committed to the aims of the EYC and will be monitoring this with their own data. We are also continuing our investment in the Parenting Strategy and the Play Strategy and will be monitoring the impact of both of these areas of work.

219. The Committee recommends that the NPF includes at least one indicator which measures pre-school development.

I host the Scotland Performs Round Table with members from across the political parties in Scotland, key academics and Third Sector organisations. These provide a forum to share views and ideas on how the NPF and Scotland Performs can be further embedded and improved. A subgroup of the Round Table is reviewing the coverage of the indicator set and investigating possible improvements. The Government will ask the subgroup to consider the Committee’s recommendation.

Reshaping Care for Older People (RCOP) Change Fund

227. The Committee notes with concern the findings of Audit Scotland that
there is little evidence of progress in moving money to community-based services and asks what action the Government has taken in response to the audit of the RCOP programme. 151

As the Audit Scotland report set out, Reshaping Care is a complex programme of major transformational change, affecting most health and social care services. Implementing the programme is challenging: organisations must continue to meet people’s current care needs and manage existing pressures, while at the same time planning future services. Audit Scotland acknowledged that the Report looks only at the first 2 years of a 10-year programme, and does not fully reflect some of the good work happening in local communities, which the Joint Improvement Team progress report and our update paper, “Getting On”, highlighted.

Local partnerships are developing robust systems for assessing progress, and are using this information to help inform how they commission services in the future under integration, with its objective to ensure a focus on preventative and anticipatory care. Furthermore, the Public Bodies (Joint Working) (Scotland) Act 2014 requires Integration Authorities to prepare annual performance reports, whose content is established in Regulations, and which will enable us to understand progress in local systems to shift the balance of care and improve outcomes.

228. The Committee recommends that each Integration Joint Board sets out a clear plan setting out how money will be moved to community-based services.

Each Integration Authority – Integration Joint Board or Lead Agency – is required to set out a strategic commissioning plan articulating planned service provision and associated expenditure. The strategic plan must be framed around the principles for integration included within the Public Bodies (Joint Working) Scotland Act 2014, to meet the requirements of the national outcomes for health and wellbeing, which are set out in Regulations supporting the Act. The principles and outcomes are centred on ensuring that people and communities get the right care, in the right time at the right place, and emphasise the importance of supporting people to stay at home and in their own communities as far as possible. Progress against the strategic commissioning plan, in terms of outcomes and expenditure, must be described in an annual performance report, as described in response to paragraph 227.

229. The Committee invites the Government to set out its criteria for judging the effectiveness of the RCOP Change Fund and what analysis it intends to publish to assess the impact of the fund.

National and local monitoring of the Change Fund has taken place through partnership returns, which include data from NHS Boards, Councils and the third and independent sectors, and through local monitoring frameworks. In addition, the Joint Improvement Team sent a letter to all partnerships at the end of 2014 inviting them to provide detail on how their partnership invested the Older People Change Fund and the progress that has been made over the life of the fund to 2015. Partnerships were asked to report spend against the pillars of the Reshaping Care for Older People pathway, and to complete a self-assessment about the extent to which specific approaches and improvements have been spread and mainstreamed locally, and where further gains can be achieved through strategic commissioning under integration. An overview report on Reshaping Care and the
Older People Change Fund will be prepared for the Health and Community Care Delivery Group and the Ministerial Strategic Group.

**Integrated Care Fund**

**238. The Committee asks what lessons have been learned from the RCOP Change Fund in informing how the Integrated Care Fund will operate.**

The Change Fund was not an end in itself – its primary focus was to allow local partnerships to increase the pace of their local progress against the policy goals set out in the RCOP programme. The Integrated Care Fund seeks to build upon this and should be used by partnerships to facilitate a shift of focus; to test and drive a wider sets of initiatives towards prevention, early intervention and care and support for people with complex and multiple conditions, particularly in those areas where multi-morbidity is common in adults under 65, as well as in older people. Whilst there are differences between the two funding initiatives, it is important to remember that the Integrated Care Fund will require partnerships to build upon and sustain the progress made towards the Reshaping Care for Older People goals under integration.

**239. The Committee asks whether guidance has been published for local partners on the new primary care development fund and whether all of the £40m will be allocated to directly support the integration of health and support care.**

This new primary care development fund will be used at local and national level to support new ways of delivering local GP and primary care services that can better support the changing demographics of the Scottish population. The Cabinet Secretary will make decisions as to the precise allocation of this funding in due course.

It will help to reduce pressure and workload and ensure our GPs and primary care professionals can help evolve our health service to meet the changing needs of the people of Scotland. GPs and primary care professionals will be vital to ensuring that health and social care are effectively integrated from April next year, helping to design and implement primary care services that best meet the needs of their communities.

**240. The Committee also asks the Government to explain its criteria for allocating the £173.5m from the Integration Fund and how it will assess its effectiveness.**

The £173.5 million Integration Fund will be allocated as follows:

a) **Integrated partnerships - £100 million**

£100 million will be allocated to integrated partnerships via Health Boards in 2015-16, to help drive the shift towards prevention. Allocations to Health Boards will use a composite of the following two distributions, on a 1:1 ratio:

- The NHS National Resource Allocation Committee (NRAC) distributions for adults in the Acute, Care of the Elderly, Mental Health and Learning Difficulties, and Community care programmes; and
- Local Authority Grant Aided Expenditure (GAE) distributions for People aged 16+ derived using a population weighted composite indicator based on a number of factors.
b) Primary Care Development Fund - £40 million
See answer to paragraph 239 above.

c) Mental Health Innovation Fund - £5 million
We are investing £5 million in 2015-16 (£15 million over three years) in the Mental Health Innovation fund. The additional investment to improve mental health services will include more staff to work with children and young people and the establishment of a mental health innovation fund. The Mental Health Innovation fund will look at better ways to deliver services, particularly at primary care level, and to ensure services are working together to help people who are in distress, or experiencing trauma. It will help people get better help at an early stage of their illness, and improve quality through training and development. The fund will help identify new ways of treating people, particularly in the early stages. It will direct resources towards projects that will improve mental health treatments in the primary care sector.

d) Telehealth - £10 million
In March 2014, the Cabinet Secretary for Health and Wellbeing announced £10 million of funding will be provided to Health boards to support the expansion of home health monitoring solutions across Scotland as part of an integrated care package. The investment will give people the resources to self-care, using technology such as iPads and smartphones to monitor conditions like diabetes and heart problems from home.

e) Central initiatives - £18.5 million
The remainder of the Integration Fund (£18.5 million) will be held centrally by Scottish Government to support national initiatives and will be allocated through Health Boards for initiatives that drive forward integration.

Reducing Reoffending (RR) Change Fund

245. The Committee welcomes the extension of the RR Change Fund for existing projects and asks what support they will be given to secure sustainable funding.

As the Committee noted, a sub committee to the Reducing Reoffending Change Fund Phase 2 Finance Project was convened to examine the future funding for the Public Social Partnerships supported by the Reducing Reoffending Change Fund. That sub-group informed the decision by the Scottish Government and RRCF partner bodies to extend the available funding from the RRCF into 2015-17, which was agreed in order to enable the PSPs to fully demonstrate the effectiveness of the offender mentoring services they are delivering, and to engage effectively in the process of securing sustainable funding. The PSPs have now formed a strategic forum to co-ordinate their activities going forward, including the ongoing work on sustainable funding begun in the sub-group. This new body will include taking the lead role in the engagement of public sector stakeholders, and other potential future funders and/or commissioners for the offender mentoring services in the future. The Scottish Government and other RRCF partners will be participating fully in the Forum’s work going forward.
Community Planning Partnerships (CPPs)

253. The Committee has taken evidence from CPPs over a number of years and is concerned about the lack of progress being made in driving public sector reform and the decisive shift to prevention. The focus continues to be inward on issues such as internal structures and organisational matters with little mention of any impact on outcomes.

The Scottish Government considers the Accounts Commission and Auditor General for Scotland’s second national overview report (Community Planning; Turning Ambition into Action) accurately reflects what CPPs have achieved to date. That is, CPPs are demonstrating a strong sense of renewed energy to improving community planning for the benefit of local communities and are making progress; but the pace of that progress needs to increase markedly. How CPPs organise themselves to deliver better local outcomes is complex and challenging and inevitably requires them to review and enhance their internal arrangements. Even so, these arrangements need to underpin the mutual trust and behaviours partners must demonstrate, in order to work effectively to deliver better outcomes.

254. The Committee will invite Audit Scotland to give evidence on its second overview report on CPPs and will explore with it what action can be taken to accelerate progress.

Noted.

258. The Committee agrees with Audit Scotland that CPPs should “start to align and shift partners’ resources toward agreed prevention and improvement policies” and expects to see significant progress in this area over the next year.

I agree. The Scottish Government and our partners on the National Community Planning Group have already set clear expectations, for instance through the Agreement on Joint Working on Community Planning and Resourcing (September 2013) and the letter to CPP chairs from Pat Watters, Chair of NCPG, in July 2014 setting out a set of 4 key principles endorsed by the Group. The Accounts Commission and Auditor General’s second overview report states that community planning partners increasingly recognise that they need to work together in different ways to deal with complex long-term challenges, and are starting to do this. They now need increase the pace of this.

261. The Committee recommends that there needs to be much greater accountability of the role of CPPs and individual partners in delivering the decisive shift towards prevention. This is a role for the Parliament as much as the Government. The Committee will invite subject committees to robustly scrutinise the contribution of public bodies within their respective remits to CPPs, public sector reform and, in particular, the shift towards prevention. The Committee will ask subject committees to report back on their findings either before or as part of next year’s draft budget scrutiny.

---

3 http://sh45inta/Topics/Government/PublicServiceReform/CP/communityplanningreview/CPPletterJuly14
CPPs are accountable to their local communities. We recognise our responsibility to hold public bodies to account for their role in community planning. The Community Empowerment (Scotland) Bill redefines the purpose of community planning, so it is explicitly about how public services work together and with local communities to improve outcomes for local communities. The Bill will reinforce expectations on defined public sector organisations by placing a statutory duty on them to contribute to community planning. The Scottish Government is also embedding expectations about involvement in community planning in its guidance and business planning for public bodies accountable to it.

262. The Committee will also ask SPICe to provide an analysis of the next set of CPP annual reports in relation to progress in delivering a preventative approach.

Noted.

263. The Committee will also take evidence from What Works Scotland in relation to their role in “improving the way local areas in Scotland use evidence to improve the way local areas in Scotland use evidence to make decisions about public service development and reform.”

Noted.

266. The Committee recommends that the Government provides clearer guidance to CPPs on their role in relation to public service reform programmes such as the Early Years Collaborative and the integration of health and social care including how this relates to SOAs and prevention plans.

The Scottish Government recognises that community planning has an important contribution to make to Public Service Reform Programmes, and vice versa. We will ensure that future guidance makes these links clear. However, the role of guidance should not be overplayed. How community planning and public service reform programmes contribute to each other should reflect local partners’ understanding of local needs and circumstances and of how linkages can most effectively contribute to local priorities.

268. The Committee recommends that CPP annual reports provide details of the progress being made in shifting resources to a preventative approach and the impact which this is having on outcomes and reducing demand.

The Scottish Government notes this comment. The Community Empowerment Bill will introduce a statutory duty on CPPs to report to their communities on progress they are making toward priority local outcomes. We will consider the need for supplementary guidance for the provision, including to draw out what communities might most welcome from these annual reports.