Thank you for giving NHS National Services Scotland (NSS) the opportunity to provide evidence for your consideration on the Draft Budget for 2013/14. Formed as the Common Services Agency in 1974, we support Scotland’s health through a range of national shared services.

Current provision includes:

- Coordination of health protection
- Advice on facilities
- Provision of health statistics
- Commissioning and coordination of screening and specialist services
- Provision of blood and tissues
- Provision of specialist legal services
- Deterring, detecting and investigating fraud
- Supporting the delivery of IM&T
- Sourcing, storing and delivering goods and services
- Paying primary care practitioners and providing patient registration services

We currently are working with a number of stakeholders to explore opportunities for accelerating shared services uptake across Scotland.

_The Scottish Government states in its economic strategy that “The actions of the public sector are co-ordinated to maximise their economic impact.”[2] What progress has been made in harnessing the public sector to support sustainable economic growth and how should this be reflected in the draft budget 2013-14?_

1. One area in which Scottish Government strategy is actually deterring from the public sector maximising its impact on sustainable growth is in the area of capital projects. Whilst the settlement from Westminster clearly has a much-reduced capital element compared to prior years, the Scottish Government has made an active choice to use HUB and NPD models to fund expenditure which would traditionally have been capital in nature. The impact of that approach is to significantly increase the cost to the public purse of any project. The rationale is that without capital available, revenue funding is the only way to get necessary projects to happen in the years before capital funding (hopefully) increases again. However, it remains within the gift of Scottish Government to vire money from revenue to capital and so create a larger pool of capital investment funding. Whilst that will exacerbate short-term revenue pressures, it is the cheaper option for the public purse, thereby freeing up funds down the line to provide public services and employment in both the public and
private sectors instead of those funds being used to create a financial return to lenders

*In its response to the Finance Committee’s report on the spending review 2011 the Scottish Government stated that its broader work was “focused on ensuring that our ambitions for a decisive shift to preventative spend are realised across all areas of service delivery.”*[6] What progress is the Scottish Government making in realising this objective and what spending priorities should be in the draft budget 2013-14?

2. One aspect of spending which pertains to the above question (and question 2) is the approach to shared services across the public sector.

3. Sustainable economic growth relies upon healthy people making effective and efficient contributions – at work (public and private sectors), in their communities and in the third sector. Particularly in current times and for a reasonable foreseeable future (as noted by Goudie), real terms public spending will be lower than it was in 2009/10. It is therefore vital that public sector spending is efficient and effective, and is not wasted. Some waste can be obvious in terms of poor processes, but it can also be less visible through lost opportunities to remove duplication within and across organisations.

4. The priority should be to set out a clear, time-bound vision for shared services in the Scottish Public Sector, together with a financial target to achieve. Identifying which public services will be shared at a national level, which are best delivered locally and what level of cross-public sector vs. sector-specific sharing will be involved. For example, which services will be provided once for the whole of the Scottish Public Sector, which will be provided once for specific elements (e.g. health, transport), which will be provided once for all public sector organisations in a locality? In the modern world, sharing services is about standardising and automating, not about centralising. Employment and service provision can remain local, but staff are working in standardised ways, maximising the benefits of technology and shared procurement.

5. The Independent Budget Review, Christie Report and McLelland Report have all been clear about the need for change in this area. The danger is that Scottish Government takes an incremental approach based upon where we are currently, rather than setting a clear, time-bound vision of where we need to be and then working back into the necessary steps to get there. Opportunities exist in the more ‘traditional’ shared services areas such as Finance, IT, HR and facilities. But they also exist in areas such as procurement, distribution, legal services and information management.

6. Evidence would show that moves to sharing services typically generate savings of over 20%.

The “Scottish Spending Review 2011 and Draft Budget 2012-13” only has seven references to shared services in its 262 pages. Three of these are to the savings achieved – £11m in 2008/09, £25m in 2009/10 and £71m in 2010/11. £71m is a very small percentage of Scottish Government spend and is also, we would suggest, a
small percentage of the spend on services which could or should be shared more widely. The remaining four references are to plans and actions to develop shared services, not a vision of the end goal

Small businesses represent 93% of the Scottish private sector[8] and are more likely to employ people with low or no qualifications than large businesses.[9] What spending priorities should be in the draft budget 2013-14 to support public-private partnership to improve the employability of and create sustainable employment opportunities for individuals experiencing high levels of multiple deprivation?

7. With the ongoing pressure on Scottish Government to save money, communications around the SME agenda need to be balanced. Support is needed from Scottish Government in getting more value from the smaller players in the marketplace. We accept that the public sector in Scotland needs to support SMEs if the general aim of a successful Scotland is to be achieved. However, SMEs need to be competitive if they are to succeed in the global market place and need to focus on areas where they can add real value.

8. Some commodities naturally lend themselves to framework arrangements, organised around local provision, bringing benefits to both suppliers and customers, with any pricing trade off economically justifiable. Print would be an example of such a commodity where NHSScotland deliberately appointed many different, geographically spread printing firms to the framework. This is not normally the case in other areas such as utilities, e.g. energy or telecommunications, where best value is often derived from larger contracts with fewer, well established players.

9. The role of the third sector should also be recognised as a provider of both services and employment. Careful thought needs to be given to social benefit clauses and the opportunities and risks they afford.