Dear Mr Gray,

INQUIRY INTO THE AUDITOR GENERAL FOR SCOTLAND REPORT “LEARNING THE LESSONS OF PUBLIC BODY MERGERS”

Following my oral evidence to the Public Audit Committee’s meeting on 26 September 2012, you invited me to provide further background for the Committee on the revised estimates of merger savings for sportscotland and Marine Scotland provided in my written evidence. Specifically, to explain how the revised estimates remain at the same level over a 3-4 year period, given organisational changes which may take place over this period.

For sportscotland, which absorbed the Scottish Institute of Sport, the merger has produced net savings of £2.359m for the period 2008-13 against original estimated savings of £2.179m. The savings are attributed to the relocation of the headquarters from Edinburgh to Glasgow, and savings in staff costs which are higher than that originally estimated. The merger has delivered a single agency for sport, providing greater local accountability and capacity to deliver within a national framework.

In relation to Marine Scotland, the merger of the Scottish Government’s Marine Directorate with the Fisheries Research Service and the Scottish Fisheries Protection Agency, the merger has produced net savings of £10.6m for the period 2008-13 against original estimated net savings of £4.3m. The savings are attributable to a reduction in staff costs resulting from the removal of 13 posts in a predecessor body and a further 9 senior posts after the merger. The net annual savings include £2.6m from the sale of a vessel, which was only made possible after the merger took place because the fleet crewing arrangements from the predecessor bodies were combined. The merger is delivering an integrated management of Scotland’s seas whilst achieving annual savings of £3.6m.

In both cases the figures represent the cost and savings directly attributable to the mergers. Any other savings achieved as a result of further organisational change in these bodies are a result of decisions these bodies have taken in the normal course of their business, and have not been counted in the table. So, in both cases, the savings achieved (or delivered) are straightforward and linear.

October 2012
I hope this further explanation is helpful.

Yours sincerely

Paul Gray