



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

PUBLIC AUDIT COMMITTEE

Wednesday 9 December 2015

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PUBLIC AUDIT COMMITTEE

21st Meeting 2015, Session 4

CONVENER

*Paul Martin (Glasgow Provan) (Lab)

DEPUTY CONVENER

*Mary Scanlon (Highlands and Islands) (Con)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

*Nigel Don (Angus North and Mearns) (SNP)

*Colin Keir (Edinburgh Western) (SNP)

Stuart McMillan (West Scotland) (SNP)

Tavish Scott (Shetland Islands) (LD)

*Dr Richard Simpson (Mid Scotland and Fife) (Lab)

*David Torrance (Kirkcaldy) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Barbara Allison (Scottish Government)

Leslie Evans (Scottish Government)

Anne Moises (Scottish Government)

Alyson Stafford (Scottish Government)

Sandra White (Glasgow Kelvin) (SNP) (Committee Substitute)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Public Audit Committee

Wednesday 9 December 2015

[The Convener opened the meeting at 09:01]

Decision on Taking Business in Private

The Convener (Paul Martin): Good morning. I welcome committee members, and members of the press and the public, to the 21st meeting in 2015 of the Public Audit Committee. I ask everyone present to ensure that their electronic items are switched to flight mode so that they do not affect the committee's work. I also welcome Sandra White, who is substituting today for Stuart McMillan, who has given his apologies.

Agenda item 1 is to decide whether to take in private item 5. Do members agree to do that?

Members *indicated agreement.*

Section 22 Report

"The 2014/15 audit of the Scottish Government Consolidated Accounts"

09:02

The Convener: Item 2 is oral evidence on the Auditor General for Scotland's report "The 2014/15 audit of the Scottish Government Consolidated Accounts". From the Scottish Government, I welcome Leslie Evans, the permanent secretary; Anne Moises, the chief probation officer; Alyson Stafford, the director general finance; Barbara Allison, the director for people; and Aileen Wright, the deputy director of finance. I understand that the permanent secretary will make a brief opening statement.

Leslie Evans (Scottish Government): I became permanent secretary on 1 July. As the Administration's most senior official, I am also its principal accountable officer. As such, I exercise the functions that are set out for that office by section 14 of the Public Finance and Accountability (Scotland) Act 2000. As the act provides for, I am answerable to Parliament for the exercise of my functions as principal accountable officer.

The committee has before it the consolidated accounts of the Scottish Government for the financial year 2014-15, which cover the full range of the Scottish Government's activities in that year. They deal with many complex and important issues that are likely to be of interest to the committee and, indeed, to the citizens and taxpayers of Scotland. Given the accounts' breadth, I have with me Alyson Stafford, director general for finance; Aileen Wright, head of corporate reporting accountancy and governance; Barbara Allison, director for people, communications and ministerial support; and, as requested by the committee, Anne Moises, who is here in her capacity as chief information officer.

We will do our best to answer today the questions that you pose to us. If we cannot do so, we will undertake to respond to you in writing. Thank you.

The Convener: Thank you for that statement. I delegate the first questions to Sandra White.

Sandra White (Glasgow Kelvin) (SNP): Good morning, everyone. You will excuse me if I squint a bit—the committee lights are very strong. I think that Richard Simpson and I are the ones who are most affected by them.

First, I will ask about the financial management reporting. Leslie Evans said that the report covers the full range of activities, but there is no single set

of accounts that shows the overall position of the devolved public sector as a whole. In the absence of consolidated accounts for the public sector, how will the Scottish Government demonstrate to taxpayers that its decisions and their longer-term implications are sustainable? Will there eventually be consolidated accounts? What would be the timescale for that?

Leslie Evans: Work is currently being undertaken on how we will develop from what is already a strong and sound framework for managing financial accounts for the Scottish Government. In doing that and looking at how we develop our financial accounting, I am keen that we take account of what the accounts are for. We have a set of accounts that are, by the Auditor General for Scotland's own standards, sound and a good record of financial management and reporting. We would not want to compromise them or change that record in any way. As members know, this is the 10th consecutive year of our having unqualified accounts.

I recognise that Parliament and taxpayers quite understandably have an appetite, as we increase our devolved powers and responsibilities, for our accounts to link in with those of others who have a different set of accountabilities, including local government. The Deputy First Minister has asked our officials in the finance department and other parts of the Scottish Government to look at how we might develop how our financial reporting takes account of future devolved powers and responsibilities and connects to the other parts of the infrastructure of reporting in Scotland, so that we can get an easily navigable and accessible account of how Scotland is operating that takes account of the quality of our own accounts, the importance of not placing additional burdens on other parts that report their accounts, and the amount of detail that is already in our own accounts that represents the agencies and others—for example, Transport Scotland. We are sympathetic to the question of how we might make a navigable and accessible set of accounts available to Scotland, but that would need to take account of the different component parts and the different functions that currently exist in the accounting system.

Sandra White: I asked whether there is a timescale for those improvements. Obviously, we are looking at improvements in information so that it is easily accessible to people. Is there a timescale? You mentioned that the Deputy First Minister has already spoken about that.

Leslie Evans: That is right. We are undertaking work at the moment. In the first instance, we would like to test out some of our ideas with Audit Scotland so that it can be seen what we are proposing. Alyson Stafford or Aileen Wright may

wish to come in with some of the details of our process. First of all, we want to consider what would answer the legitimate question of how we can get a good snapshot of how Scotland is doing without compromising some of the factors that I mentioned earlier on. We could then perhaps share that with the Finance Committee or the Public Audit Committee to see what our proposals would amount to and when they would come into play.

Alyson Stafford (Scottish Government): I am happy to expand on that, if that would be helpful.

Obviously, we already have some new powers, and this is the first financial year in which some devolved taxes are being collected, so there is already an expansion in the information that will be produced at the end of the year. Obviously, there are things in our budget, but there is also the question how they are accounted for through Revenue Scotland and our own accounts.

We are very sensitive to the fact that the Scotland Bill is going through Westminster. That will be underpinned by a fiscal framework, and the negotiations on that are actively taking place. There was a meeting earlier this week to continue the active engagement and progress on that. Obviously, it makes sense that we have that fiscal framework in place, as well, so it is important that we use the next few months to see how it takes shape and to talk to Audit Scotland, as we have said. The offer is also there to work with the committee on what information it would find helpful. It should be recognised, as has been rehearsed, that information should be available to the taxpayers of Scotland. Some of us are already getting letters to assure us that we will be Scottish rate of income tax taxpayers from next year. We need to work through the exact format of that information.

Our consolidated accounts that account for how the budget has been spent in-year are about 130 pages long at the moment. They are based on a very technical format that is laid down, and which we comply with, under international financial reporting standards. Working out what, beyond that, would be useful and accessible would be part of the conversations that we would like to have. We have some ideas that we would be happy to talk through.

Sandra White: You mentioned the letters—obviously, we have all had them—and pension liabilities. You also kindly said that you would share information with the Public Audit Committee. It would be beneficial to everyone, as you go through the stages and we get the extra powers, if the Public Audit Committee was kept up to date on what was happening on the consolidated information, or would that come through the Auditor General?

Alyson Stafford: The new powers that are coming in are on new turf, and Revenue Scotland has carried out an update process with the Finance Committee and the Public Audit Committee. I would be happy to work through the best method of doing that with the convener and the clerk. For some of the things that we have been dealing with up to now, a workshop might be an accessible approach, so that we can have more dialogue and really take on board members' points. However, I am happy to use whatever mode feels best for the committee overall.

Sandra White: Thank you.

Mary Scanlon (Highlands and Islands) (Con): I was not going to come in on this, but I am very disappointed by the response. We have had the same Government in power for nine years. It is a Government that is looking towards an independent Scotland, and if there is one thing that an independent Scotland needs, it is an independent balance sheet that sets out the revenue and expenditure, because we hear people out there talking about an £8 billion black hole or a £6 billion surplus. The response to Sandra White from the most senior official and accountable officer is that work is "being undertaken" at the moment. I actually find that quite insulting, after nine years. All of us have been through the referendum campaign and everybody out there wants to know what the balance sheet says.

You say that the Auditor General is ecstatically happy about your accounts, but I do not think that that is the case. The report states:

"It is becoming increasingly important to ... understand the overall position of the devolved ... public sector".

It also says that

"it is difficult for the Scottish Parliament, taxpayers and others to get a full picture"

and that

"there is no readily accessible information about the ... pension liabilities".

We had an Audit Scotland report on pension liabilities some years ago. Surely you go round all the sectors and add up the liabilities. It is four months before my retirement, so I am never going to see this balance sheet, but do you think that I should be content and happy when you come along to the committee and say that you are testing out ideas? I say personally, and not on behalf of any of my colleagues, that given the position that Leslie Evans holds, I do not think that it is good enough for her to respond to the Auditor General's audit of the Scottish Government's consolidated accounts by coming along here, after we have had a nationalist Government for nine years, and simply to say, "Work is being

undertaken at the moment." That is not good enough. What is your response to that?

Leslie Evans: I recognise the interest that is growing and—

Mary Scanlon: It has been there for years.

Leslie Evans: Indeed—but, of course, we have a moving picture. We have increased our devolved powers since the Scotland Act 2012 and, as Alyson Stafford mentioned, we will increase our responsibilities further when the current Scotland Bill becomes legislation.

Mary Scanlon: You could make the changes as you go along.

Leslie Evans: I recognise that there is an appetite for change. We have a moving picture: the situation is quite fluid. We are working on and looking carefully at what models might suit, but we also need to take account of the complex set of information that is already on the table, and of the various accountabilities. I see consolidated accounts as being slightly different from a full balance sheet. The consolidated accounts will need to bring together the different accountabilities that operate in Scotland at the moment in relation to devolved powers. As we know, if we were looking at a complete balance sheet for Scotland, that would include spend by the UK Government, which would introduce another important dimension. We need to ensure that whatever we produce is right.

I can understand your impatience, Ms Scanlon.

Mary Scanlon: It has been nine years.

Leslie Evans: That is why I said earlier that the information that we will produce in the early part of 2016 will be tested not just with Audit Scotland colleagues but will be brought to the Public Audit Committee and the Finance Committee. Just a couple of days ago, I looked at a United Kingdom Government model for how we can make the information navigable and accessible for the people who in the very near future will be paying their taxes to the Scottish Government and whom you rightly cite. We are determined to ensure that that happens.

09:15

Mary Scanlon: Under the devolution to Scotland that is being discussed today in the House of Lords and which we are all aware of, powers will be devolved to Scotland over the next decade. If you are going to keep saying for the next decade, "It's a moving picture," "Work is being undertaken," and "We're testing out ideas," that is just an excuse to kick into the long grass a clear outlook of the balance sheets and consolidated accounts in Scotland. If your excuse

is that there will be continual devolution, we are never going to see that.

The Auditor General is asking for some form of consolidated accounts, and I think that you could provide that. You could make changes year on year as further devolution occurs. In making the excuse that we are in a changing world, you are basically telling us that we are not going to get what the Auditor General is asking for for at least a decade.

That is a point rather than a question; I do not think that I am going to get much more here.

The Convener: I will allow Leslie Evans to give a brief response to that.

Leslie Evans: I have given an undertaking that we will come back shortly—in the early part of 2016—with proposals. By that time, we will perhaps know more about what the Scotland Bill has produced. The undertaking is to ensure that we have accessible and easily navigable information for taxpayers, for the Parliament and for citizens of Scotland. I give that commitment now. That is not to say that the situation might not change again in the future. As you quite rightly say, further powers might still be devolved in the next few years.

Nigel Don (Angus North and Mearns) (SNP): Good morning. From my background, I would like to make a distinction between financial accounting and management accounting. I recognise that all the things that you are talking about and all the things that the Auditor General sees are things that I would describe as financial accounting, in the sense that they have a set of rules and, in theory, they add up to the nearest penny—although, in practice, they never do, of course. I think that those are the kind of accounts that you are talking about. As I understand it, you would like a set of consolidated accounts that are a merger of those kinds of accounts.

Leslie Evans: We would like connectivity between those accounts.

Nigel Don: Indeed.

I and, probably, the general public would be much more interested in things that I will describe as being more like management accounts that are not precise, and in which we look at the debts that are held by local authorities and perhaps even debts that are held by Scottish companies. We might look at all sorts of other flows in and out. They are bound to be estimates; none of that would come down to the nearest penny and be signed off by an auditor.

Would there be value—this is perhaps economics rather than accounting—in a general overall view, that is close to being a consolidated public account, of where the debts, assets, income

and expenditure across Scotland are, recognising that although the public sector is a very big bit of that, it is only a part of it? Local authorities are a significant part, along with the Scottish Government.

Alyson Stafford: I think that there would be merit in that. The distinction that you draw between having a rules basis—I refer to the IFRS—for combined consolidation across local government, central Government and some other bodies that may be part of the Whitehall set-up means that we would end up with very large numbers being aggregated together and generated on a very technical basis. We would then be mixing up accountabilities.

I will pick up Ms Scanlon's pensions example. There is a really mixed arrangement, which has been defined not by design but through the evolution of different arrangements for supporting pension activities in Scotland. Some areas—local government, for example—have to go out and invest the contributions that people make in order to sustain pension payments as they are made. Other pensions—for example, those for health service workers and for teachers—are what we might describe rather colloquially as “pay as you go”; they rely on the fact that there are incomes to the Treasury each year that can sustain payments. Obviously, some of the contributions that are collected are part of that.

That is just an example of the fact that there are different mechanisms that have built up over time. Using the financial accounts pulls all that together, but it blurs the accountabilities. That is why the offer is there about asking what people are really interested in. Looking at such information would aid the knowledge that folks have so that they understand not only where the taxes are going but where the risks and opportunities lie in relation to that.

We could put that information into a format that people do not have to navigate through. I said that currently our accounts run to 130 pages: A consolidated version for Scotland would probably be getting on towards double that. That is not necessarily the most user-friendly way for people to see data and information, so I support what Nigel Don says and am very happy to work with the committee on that.

Nigel Don: I would have thought that a useful set of accounts on that basis would be rounded to the nearest half billion and I suspect that it would be on one side of a piece of paper. We would then be able to compare the accounts year on year and look at where our assets were, where our liabilities were and whether Scotland was paying its way. That is not a nationalist point; it is just a simple economics of Scotland point.

Alyson Stafford: You mentioned economics. The economics part of the Government has been producing the “Government Expenditure and Revenue Scotland” report pretty much since there was devolution in the first place. That information has been there irrespective of which party has been the Administration. That information has a statistical basis rather than a financial accounting basis, so there has been some information available but I think that moving into the space that you describe is something that can happen soon.

If we are talking about specific accounts, a ministerial requirement would be needed before we could get that information so that would require ministerial drive. The other parties that are the providers of that information would also need to be willing to contribute. Those are the sorts of things that will be important.

I have just one thing to add. For any information that we pull together, the basis on which it is generated is very important. Notwithstanding what you are saying about accounting for things down to the last penny, one of the key points about the changes that we have been going through is that we have been one of the first areas across the UK and Europe to move to international financial reporting standards.

It often shocks people to know that Germany, which you might perceive as being financially advanced, is still on cash accounting. That methodology predates me being in the Government; it predates my professional career as well. Germany is still using that methodology. The good thing is that in this financial year local government is producing its information under IFRS for the first time.

The Convener: Please try to keep answers as succinct as possible.

Alyson Stafford: Of course. We started using IFRS in 2007-08 and local government is now producing its accounts under IFRS.

I will give you an example of what that means in terms of assets. When the Auditor General referred to this distinction between accounting bases, the asset valuation of roads, which are part of the asset base of local government, would have given a figure of £5 billion; under IFRS, the figure would have been £55 billion. When you get differences of that order of magnitude depending on the accounting basis, you can see why we need the platforms to be the same. For the first time this year, local government will be on the same basis as central Government. That gives us the right conditions for working on these things.

The Convener: Permanent secretary, is performance information attached to the consolidated accounts at the moment?

Leslie Evans: It is not included at the moment, although we use the accounts as a useful signpost to other parts of the information that is available, including on performance.

The Convener: What is the annual budget for the consolidated accounts?

Leslie Evans: The budget in the Scottish Government accounts is £33 billion.

The Convener: It is £33 billion per annum and, even after 16 years, we cannot attach performance information to it.

Leslie Evans: We do provide performance information. We provide something that the Auditor General's report highlights as being particularly successful, which is the national performance framework. We are undertaking some more work on that framework at the moment.

The Convener: Do you provide interim, six-monthly performance information?

Leslie Evans: The national performance framework website is updated with live information.

The Convener: Is that detailed information on the specific budgets?

Leslie Evans: It provides a connection between what the money is spent on and the outcome that we are seeking to achieve. In the Government, we have more work to do and are working on how we make the connections between the long-term outcomes that the national performance framework describes—you will be familiar with many of them—and the milestones between the spend that takes place and the changes that will produce those outcomes in the longer term.

In some areas, we have already developed interim milestones that are published and made available. I am thinking particularly of justice, but there are other areas that do it too, such as housing and regeneration. They produce information that shows how we are doing on the milestones that will need to be exceeded if we are to get to the longer-term outcomes. The national performance framework website shows in live time whether the trends on the outcomes are going up or down. That is an important part of how we judge the long-term outcomes that we are investing over a number of years to achieve.

The Convener: Which budget headings do not provide that information and why do they not? If we can do it for justice, housing and regeneration but not for other budgets, what is the reason for that?

Leslie Evans: All budgets are reflected in the national performance framework, but the specific example that I highlighted on the justice strategy is

an approach that we are rolling out in our development of the performance framework in the Scottish Government. I recently established a new committee in the Scottish Government, which will be headed up—

The Convener: Why it is taking so long to do the other ones?

Leslie Evans: We have tried to ensure that we know what the course—

The Convener: I will take it back. We have milestones for justice, housing and regeneration. Your opinion is that you are doing fantastically; you are really moving on with that information and are really pleased with the progress that has been made. However, will you give me an example of where the information has not been provided over the past 16 years to develop milestones and tell me why it has not been provided for those budget headings?

Leslie Evans: The information that comes out of the national performance framework reflects all—

The Convener: Yes, but let us go back to the issue—

Leslie Evans: It is live, good-quality, accessible and understandable information. We are trying to move it into a more detailed, milestone-driven system. That has recently been developed.

The Convener: That is where we are. Let us put the national performance framework to the side at the moment and consider the milestones that we are referring to. You have advised us that you are happy with the progress that has been made on those in justice, housing and regeneration. Will you give me two examples of budget headings for which you do not provide that information?

Leslie Evans: No, because we regularly provide the Parliament with information on how our performance is going across the piece. We have pulled the whole justice system together—the bits for which we are responsible and those that are further away from Government—and considered their collective impact on making the outcomes a reality. That is the innovative point in what we have developed. It is relatively new and has been very well received, not only by people who use the justice system but by people further afield.

The Convener: I will put it another way. We have education and justice. You have advised me that, in justice, we have milestones on which information is provided every six months. Is that fair?

Leslie Evans: It is published regularly on the national performance framework website.

The Convener: You are happy with the progress that has been made on that. Let us compare that with education. Does the education department provide the exact same information?

Leslie Evans: Yes, it provides comparable information. The difference is that the justice strategy has enabled us, without getting too technical, to consider what the inputs are that will allow us to achieve the outcomes and to track them. That is done in a whole-system approach. We are doing that across the piece.

The Convener: So—

Leslie Evans: If I could finish the point, that is why I established a fresh approach to our performance framework when I took up post and why I asked Alyson Stafford to head up the rolling out of that more detailed information. We still report regularly on our performance through a range of sources to Parliament and on the website.

The Convener: Let me put it another way: you have a five-star approach to the information that you provide on justice, housing and regeneration, but you are advising us that it could be a three-star approach for the other elements.

Leslie Evans: No, I am not saying that, convener. I am saying that we have a five-star national performance framework, which the Auditor General's report has endorsed as such. It is considered innovative. In fact, other countries regularly come to us to find out how we go about producing the information.

The Convener: Which countries come to you and ask you that?

Leslie Evans: We have had visits from throughout Europe.

The Convener: Any specific countries in Europe?

Leslie Evans: I can write to you with the specific dates and times of those visits.

09:30

The Convener: Have they said that the system that you have got is all right?

Leslie Evans: They are interested because Scotland is unusual, if not unique, in producing a system that works towards outcomes. In other words, the outcome that we seek to achieve will require a number of different portfolios and systems to make the change that we seek to make to improve life for the people of Scotland. Within that, there is a well-trodden and embedded machinery to show how we are working towards those outcomes. That is supplemented by reports to Parliament, published reports, committees and

scrutiny by the Auditor General and others. What has changed in the justice strategy example that I gave is that we have used an innovative approach across the whole system to get underneath the skin of why those causes and effects are making a difference in some parts of the justice system and not in others.

Dr Richard Simpson (Mid Scotland and Fife) (Lab): We are talking about paragraphs 44 and 45 of the Auditor General's report. The end of paragraph 44 says:

"There is also scope to set out clearer plans for how outputs and outcomes will be improved in budget documents. Such an approach would help strengthen Parliamentary oversight of Government spending."

I hear you saying that we are ahead of the rest, that we are making progress and that it is a work in progress; I understand that. As Mary Scanlon said, we have been in progress since I sat on the Finance Committee back in 1999 and we looked at the Oregon state budgets, which were very full, and wanted to use them as a model.

Ms Evans will know that health is my particular interest. We are almost entirely focused on process targets, which are inputs and not outputs; they are not outcomes. Although those targets were undoubtedly vital in driving up performance in relation to what the patients received and how quickly they got access to the service, we know nothing about the outcomes. When the convener asks you about outcomes relating to budgets in health, I have hardly any sight of that at all. The only field in which we have outcomes that show progress is cardiovascular disease, and that is probably nothing to do with what we are spending on health and everything to do with what is going on in the community, because it is happening across the world.

Like Mary Scanlon, I am retiring from Parliament so it will not be while I am here, but it would be nice to think that, as our legacy, we could manage to get you to produce a report indicating what you are going to do over the next few years, starting with the report that you are going to give in the spring on development. On health, tell us how you are going to change the system so that we move from a system of targets to one of budgets relating to outcomes.

Leslie Evans: Health is a good example of the need for outcomes because of the complexity of what contributes to the health of a community and an individual. Dr Simpson will know that better than most. Targets serve a purpose but, in themselves, they will not produce an outcome.

I am interested in making the connection between the finances, the financial accounting and some of the management accounting that was referred to earlier by making the connection

between the documentation that we have at the moment, so that it makes sense on the cause and effect.

I emphasised the importance of the national performance framework in response to the convener's question because that remains to us the most important element of how we track long-term changes. The indicators in them give us a clear understanding of what is making a difference to those outcomes. We need to connect that to the information that is still evolving and I have given Ms Scanlon an undertaking to come back in the early part of 2016 with proposals for how our version of the consolidated accounts can relate most clearly to the national performance framework.

I speak to people and, believe you me, they talk to me about the importance of knowing what the Government is doing, how it is accountable, and what a difference it is making to their communities and services. I do not underestimate the importance of being a more open and accessible Government, producing accounts that are primarily for financial purposes but also relate to performance information, and improving the connectivity between those two aspects. However, it will not change the fact that the national performance framework will remain our gold standard of tracking to outcomes. That decision was taken a long time ago, and I think that it is now embodied in the Community Empowerment (Scotland) Act 2015.

Incidentally, when we look again at the first stage of the implementation of that, there is an opportunity to think about what information ministers want to publish and how they publish it. What we are talking about today aligns quite neatly with that, although that will take place later in the year. However, that does not stop me or Alyson Stafford, in the role to which I have just appointed her, from considering performance and thinking about where those aspects connect in order to make a navigable and accessible statement of cause and effect in relation to outcomes and tracking the milestones of progress between now and when we reach them.

Dr Simpson: I realise that some of the outcomes that we are talking about are not short-term ones—some of them are extremely long term. There are health outcomes that we have all agreed are desirable but which will not occur for 10 to 15 years. However, it would be useful to get an idea of whether the milestones along the way are being met. If they are not met, as they were not met in relation to climate change, for example, it would be good to know how relevant that is, how far off track we are in terms of our budget in that field and whether that means that we should be applying more money. That would enable the

Finance Committee to say, when it looks at the budget, that the Public Audit Committee has done its job—which it cannot do at the moment—and has said that the outcomes are way off target in a way that is either serious or not serious.

Leslie Evans: You are absolutely right. Most of the outcomes are long-term ones, and many of them are very long-term ones. They also concern extremely deep-rooted problems that cannot be solved by one portfolio or budget line. That is why we are in new territory.

Another thing that we have had to put in place in order to get the national performance framework operational is a way of collecting the information that will inform those outcomes. In a couple of instances that I can think of, we have had to put in baselines and collect baseline data in order to determine whether something is improving. Further, often, the indicators that would enable us to determine that the outcome is getting near are also quite complicated. For example, information on the dental health of children gives you a snapshot of how a child's mouth looks but, from research and statistical analysis, we also know that it can give you some information about the wider state of care that that child is receiving and issues around poverty and vulnerable children.

We are unapologetically ambitious for the national performance framework. We are clear that it requires us to have milestones and indicators and live information. Some of those indicators have to be created and some of that baseline information must be gathered. However, I understand that, in doing that, we also have to start to develop the connectivity with the finance accounts. The issue is not that we must change the accounts, aside from what we have talked about in terms of consolidated options, but that we must see how they relate to each other for the people of Scotland and also for Parliament.

Colin Beattie (Midlothian North and Musselburgh) (SNP): Over the past few years, we have considered quite a few information and communication technology contracts, most of which have not gone according to plan. There appear to be certain common factors among those projects. The most recent NHS 24 issue is a good example. In that situation, there were basic flaws in the contracts—you do not need to be a lawyer to see that they were not fit for purpose. The scoping of the project was inadequate. There was an overreliance on vendor input, which probably reflects a lack of in-house skill, and there were management issues, too.

We are where we are with regard to the projects that we have considered. However, in the future, how will we avoid similar simple basic errors that can cost us a lot of money?

Leslie Evans: Anne Moises may want to say something specifically about NHS 24 and the work on reviewing that project—

Colin Beattie: We can put that to one side; I simply used that as an example.

Leslie Evans: I understand that. We have been cognisant of and have heard clearly the messages that have come through two Audit Scotland reports on our ICT projects. We have taken a lot of time and effort over that area recently in order to change how we operate. Anne Moises will be able to give a little more detail about that.

It is most important that we reflect on and improve three areas in relation to our experience with our information technology problem projects. Incidentally, some IT projects have gone quite well. I would happily give you some examples of that, but I know that that is not what you want to hear about this morning.

First, we have been looking at how we construct and lead the teams that help us and support the senior responsible officers who are leading on complex ICT transformation schemes. We have put in place the ICT assurance framework and the digital transformation service to help in that regard. Anne Moises can talk about those in a little bit more detail. Basically, they are a resource of advice, information and expertise for senior responsible officers on what they need to know, how they must get ready for projects and the types of assurances that they need.

Secondly, we have developed our own talent workstream. You mentioned skills. We are in an incredibly competitive market when trying to attract people who can command significant salaries in this area—it is a growing field, as you will know. However, we have been successful in attracting talent into our team. I think that we have just recruited another 19 people, some of whom I believe have taken pay cuts to come and work for the Scottish Government on this particular workstream. We will use them as part of our resource to give senior responsible officers the advice and assurance that we are seeking to give them.

Thirdly, there is a wider issue of skills gaps and shortages across the piece. We can talk a little bit more about that later on.

I ask Anne Moises whether she wants to say something about the generic issues that we are pursuing. As I said, I can give the committee examples of successful projects, which I would hate not to be recorded in some way this morning.

Anne Moises (Scottish Government): I absolutely acknowledge that projects fail for the same reasons over and over again. That happens

not only in the Government, but across industry as a whole.

We are working hard to help projects and programmes at the initiation stage to ensure that the right skills and resources are available so that they get off to the best possible start. We have introduced our assurance framework to signpost clearly the common causes of system and project failure. We get the project team, the SRO and the accountable officer to look at the causes of failure right at the very start and to tackle them all the way through the projects and programmes.

Some of our work has taken place in the past two years or so. We updated the ICT assurance framework earlier this year. Some of the large projects that have hit the headlines recently started quite some time before the new measures were introduced. We will know whether we are making a difference when we get the SROs, the accountable officers and the project leaders to engage with us at the early stages and to say, "We've gone through your checklist and we recognise that we've potentially got problems here, here and here. How can you help?" At that point, we will work with the office of the CIO and the new digital transformation service to try to embed skills. That will not necessarily take SROs, accountable officers and project leaders all the way through the projects, but it will help them to find the right resources and to access the right skills. The digital transformation service, for example, is working with about five different central Government organisations purely to help them to resource and bring in the skills that they have recognised that they need to progress the programmes that they have under way.

Colin Beattie: I will come back to the issue of skills in a second, because that is an important aspect. You are talking about trying to address the shortage of IT skills and so on. I return to the basic part of the problem, which is the contract. That has nothing to do with IT skills. First, I would say that being able to read a contract and understand where there are gaps in it is simply sensible management. Secondly, who do we use as lawyers? In my previous life, we spent a great deal of money on lawyers to get every single line of IT contracts right. We had people with the necessary expertise to look at a contract and determine whether it was sensible. Why is that not happening? This is not the first time that there have been issues.

09:45

The Convener: Can the answers be as succinct as possible, please?

Anne Moises: It slightly depends on which organisation and contract we are talking about.

Some organisations have in-house legal capacity, such as the Scottish Government—

Colin Beattie: It does not have in-house legal capacity if it cannot do a contract properly.

Anne Moises: There are legal colleagues in various organisations but, in some of the cases in which I have been directly involved, we have gone out and hired independent legal counsel from people who are very practised in the area. For example, for the contract for the Scottish wide area network—SWAN—programme, we had external legal advice, which was assured by our internal legal people. It is possible to do it right.

On contract management, which is an issue later in the process, we are working hard with procurement colleagues to increase skills and upskill. However, I realise that Mr Beattie is talking about the point at which the contract is let, before we sign on the dotted line, and the need to ensure that the contract is viable and puts the buying organisation in a strong position.

Colin Beattie: Clearly, that did not happen with the NHS 24 contract or with previous contracts that we have looked at. Frankly, IT is a highly specialised area and the contracts are highly specialised. Should we not assume that it will be rare for such organisations to have the internal expertise that is required and that they will normally contract out that work to expert lawyers to ensure that they do not end up with cost overruns arising from the fact that they did not get the contract right?

Anne Moises: In some large and complex cases, independent external lawyers would be used. In other cases, such as some of the ones in which I have been involved recently, we have used Scottish procurement colleagues, who have a lot of experience in contract letting and who consistently do a very good job.

Colin Beattie: So why did NHS 24, which was a big contract, not go to external lawyers? What is your definition of a big contract?

Anne Moises: It is probably anything over £5 million. We look hard at what is happening with such contracts, and they are gateway reviewed. Some contracts below that financial level are complex, in that the components are novel or innovative, and we would probably want to get expert advice on those. With some of the stuff that we will probably do in the future—on cloud contracts for example—we will absolutely seek expert advice.

I am afraid that I cannot comment on why NHS 24 did not seek external legal advice. I know that colleagues are reporting to you separately on how that particular issue has been handled.

Colin Beattie: I want to touch briefly on the skills shortage that we have discussed. There is a generic skills shortage across the market worldwide. I have seen in recent reports that that has been exacerbated by the fact that companies and Governments are hiring people because of the cyberattacks that they have experienced, and that is sucking up any excess skills in the market. How are you going to compete against that? Also, how are we protecting ourselves against cyberattacks when we carry out such projects?

Leslie Evans: I will ask Anne Moises to talk about the work that we have in hand on cyberattacks.

On skills, obviously we have a responsibility not just to grow our talent but to look more widely across Scotland. The figure that is being cited at the moment is that the skills gap here is about 11,000 jobs. We are working with Skills Development Scotland, which is considering how to encourage more take-up of digital learning opportunities, not just at graduate level but at undergraduate and school level. We are working closely with Education Scotland on that.

Another thing that has come on the scene recently is the CodeClan academy, which is a digital-focused academy that deals specifically with digital skills and has around 34 students. That number is, I think, the first two years' intake to the academy. We are aware that we have a responsibility more widely to develop the skills for Scotland as well as to develop talent in the way that I have described by attracting and developing our own teams.

I will make one generic point in response to the generic question that you asked about ICT. These projects are incredibly challenging, and the Government usually wrestles with the most complex and biggest contracts in a very public way. Quite rightly, we are held accountable to the public for how we spend the public purse on what are often transformational projects.

In the spring, we will report back on how we have implemented the recommendations that the Auditor General asked us to consider in her two previous reports. Anne Moises will lead the team in getting back to me—and, probably, to you—on how we have fulfilled that undertaking, and responses to some of the questions that you have asked will be part of that account.

I have asked the Scottish Government's audit and risk committee to focus on IT, and we will have a discussion with it about what we are doing and the areas where we are particularly vulnerable to difficulties and risks. The issue is on our risk register on a regular basis.

I have said that I will report to ministers on how we are doing in delivering on our ICT

responsibilities and on the small projects, which Anne Moises has described, as well as the bigger ones. At some point, we will probably talk about the common agricultural policy project. That is not just an ICT project but an example of the big changes in how we are delivering funding to an important community in Scotland.

The Convener: I have a brief final question before I bring in Richard Simpson. Let us go back to the NHS 24 contract. If I was asking you to sign a contract for £75 million, you would read through the entire document, would you not?

Leslie Evans: I would want to be aware that the document was fit for purpose—I would want assurance on that.

The Convener: You would want the document to have been read, would you not?

Leslie Evans: I would want assurance that the document was fit for purpose. Absolutely.

The Convener: That is not my question. My question is: would you expect the whole document to have been read? It is a contract for £75 million.

Leslie Evans: I would expect somebody to be responsible for ensuring that the document was right, fit for purpose and appropriate.

The Convener: Last week, we received evidence that, in the example of NHS 24, the document had not been read through. No matter what measures we take—whatever we say about having learned from the experience—surely, as a minimum, we would expect contracts of that expenditure to be read through. You are the permanent secretary. I understand that you have many responsibilities. You would expect such contracts to be read through, would you not?

Leslie Evans: I would expect the team in charge to be absolutely clear about what they were signing up to and that the document was fit for purpose—I agree. That is why a report is being undertaken into what went wrong in that preparation, which includes some of the information that has already been shared with you and which will go to the Cabinet Secretary for Health, Wellbeing and Sport in the very near future.

The Convener: Is there a possibility that there have been similar experiences with other contracts for £75 million that have not been read through before being signed?

Leslie Evans: Anne Moises has given you an account of how we are trying to ensure that every opportunity is given for people to be trained, developed and made aware of their responsibilities before they sign any contract.

The Convener: But, as was confirmed last week, the person who would sign the contract would be the accountable officer—is that correct?

Leslie Evans: Yes. It would be the accountable officer in NHS 24.

The Convener: It is a basic responsibility of the accountable officer to ensure that the document has been read through, yet the Auditor General tells us that, in that instance, it had not been read through.

Leslie Evans: It is the responsibility of the accountable officer to assure themselves that the document is fit for purpose, is correct and is appropriate for the contract that is being sought.

The Convener: If we uncovered any other contracts in relation to which there had not been a basic read-through of the document, you would be disappointed with the accountable officer, would you not?

Leslie Evans: I would be disappointed if accountable officers were not assuring themselves of the fit-for-purpose nature of the contracts that they were letting.

The Convener: Anyone who found themselves in that position would not be fit to be an accountable officer anywhere else. That is a very basic responsibility, is it not?

Leslie Evans: I agree that it is a very important responsibility of an accountable officer in letting any contracts.

The Convener: Will the measures that have been put in place ensure that it never happens again? We do not expect this issue ever to come back to the committee.

Leslie Evans: I cannot say that I will never come back to the committee to discuss a disappointing or risky ICT contract—I would be a very foolish principal accounting officer if I did so.

The Convener: That is fair, but we are talking about the basic principle of reading a document. I have signed loan agreements for much less than £75 million, and they have said at the bottom of the page that I must read them carefully because I am taking on a significant responsibility in signing the document. If I am an accountable officer and I am asked to sign a document that says that I am responsible for £75 million, the basic instruction “Please read carefully” should be included in that document.

All I am asking you is: will you ensure that there is something basic that says, “Please ensure as the accountable officer, with significant responsibility, that when you are signing for significant sums you read the document carefully”? That should be the very basic

message, should it not? Then we would not have anybody back at this committee.

Leslie Evans: I would be surprised if that was not in the advice that Anne Moises is giving to the accountable officers with that responsibility.

The Convener: But should that have been there before?

Leslie Evans: You have made that point very clearly and we would—

The Convener: But should it have been there before? Somebody should have been advised, “Please read carefully.” We are talking about £75 million. It is a lot of money—a lot of public money.

Leslie Evans: Absolutely. I am not demurring from that. Common sense, apart from anything else, would emphasise the importance of reading a document that one signs.

The Convener: Finally, is it not correct that, if NHS 24 was a private company, it could have been bankrupt? We are talking about public money, so will we keep providing public money to prop up those situations? That is unacceptable, is it not?

Leslie Evans: What is unacceptable is not doing anything in the light of what we are learning and in the light of what we know is going wrong. That is why I am here today, and I know that Anne Moises was invited particularly to talk about this issue because it is an area of concern. It will continue to be a challenging area for the Government for some of the reasons that we have raised, not just to do with skills but because of the complexity and the number.

The Convener: There is no excuse—

Leslie Evans: I am not demurring from the responsibility of accountable officers to ensure that we get the fundamentals right.

The Convener: Okay. We will now have questions from Richard Simpson.

Dr Simpson: There are three separate issues. There is the one with NHS 24, where the tender document was not transcribed to the contract. It seems to me that it is the Government and Ms Moises as the Government officer involved who should have checked on that. I cannot believe that the documents were not cross-checked by somebody in Government. The individual agencies do not have the skills to know whether things are right: they know about their own area of work but they do not know about the technical aspects. The fact that the Government is not cross-checking a tender document against a contract seems utterly astonishing, and it has cost us tens of millions of pounds. I assume that the convener has dealt with that point.

The second issue is when the procurement process does not produce the result in terms of the clinical output, if I may call it that. Let us take the health e-care programme, which was going to solve all our problems about a common assessment and a common recording process across social care and healthcare: £56 million later, we abandoned it completely and we still do not have a system in place. We have all sorts of small systems in place but not a common system. The desired outcomes of the programme did not occur so the procurement process was wrong. I would like to know what your comment is on that.

There are actually two other issues. One is that, when we developed our system, we went for not having a centralised system in health. I am glad that we did that because we avoided the problems that there have been in the rest of the UK, where there was expenditure on the massive health programme of £12 billion, much of which was wasted. There was massive waste.

However, we have a situation in the health service because we have chosen to allow the individual boards—which have no or little expertise, or certainly grossly insufficient expertise—to develop their own systems. That means that we have a system in Scotland at the moment in which the records of a patient in Inverness cannot be read by an expert in Glasgow, even though the patient's treatment is in Glasgow.

The portal system provides no interconnectivity between all the boards in Scotland. If I am a doctor sitting in Edinburgh and I have someone visiting me who is registered in Inverness, I cannot even go on the system and look at laboratory results for the patient because the Scottish care information gateway—SCI—programme has not been connected. Those programmes were set up eight or nine years ago and are still not interconnected. The Health and Sport Committee was promised in 2011 that the issue would be sorted, and it is not sorted.

There is a question about the safety of having devolved systems, which we seem to have gone for. It is great as regards the cost side because the individual portal systems all work, but they are not connected so the system does not deliver for the individual clinician.

I can tell you that, for a clinician who is trying to go in and out of individual portals that are reported to me as being connected, it will take six or seven minutes to switch out of one and go into another. When a clinician has only 20 minutes to see a patient, seven minutes to switch portals to access information is totally unacceptable, so I am angry about that.

The final issue is the procurement of off-the-shelf programmes. That is entirely appropriate and the systems are often highly tested, albeit perhaps in other jurisdictions. However, the TrakCare system in Glasgow—it was the lead authority on it, having bought it first—went down for nearly 24 hours for routine maintenance. If that had happened with a bank, it would have been fined millions of pounds by the fiscal authorities for what it had done to its customers. However, a health system that is fundamental for the management of patients was allowed to go down because of procurement of a routine upgrade. There was no continuity or double running on a second set of servers to allow the system to continue for clinicians while it was being upgraded.

Those are the three instances that I would like responses to.

10:00

Leslie Evans: I will take the issue of procurement expertise first. I am not sure that we have enough detailed information to be able to answer your very detailed questions on the approach to ICT in health, which are entirely legitimate—if we do not have that information, I will undertake personally to respond to you on that.

We recognised some time ago the fundamental importance of having an expertise in procurement and a growing expertise in commerciality, which is something that government has struggled with in the past and which we are still working on. However, we now have a director of procurement and commercial information who sits on the information system board and advises Anne Moises and the projects that we are talking about, particularly the smaller ones, which are less likely to have access to that kind of information. He and his team are immersed in commercial knowledge and information.

That is a growing expertise and it is not complete, but it has been very important to us as we have looked increasingly at buying off-the-shelf kits or, indeed, have looked at specifications. The specification will make or break whether the procurement works, as will the legions of regulations and legislation around what we can and cannot do in good procurement, including going to the European market and so on. Therefore, we do not have a finished project but we do have a very good director of procurement and commercial information and a good team who are supporting us in improving our approach to how we grow ICT capacity and preparing us for the kind of contracts that you mentioned.

As far as health is concerned, I acknowledge the benefit of having small local systems, but I

understand entirely the unacceptability of those systems not talking to one another. It is not only in health where we have found instances of that, although I appreciate that that is where it impacts most on customer service and patients. I undertake to write to you on where we are with that and on our intentions, particularly on the point that you made about the inadequacy of the off-the-shelf project to which you referred but also on what our plans are to ensure that we can have better connectivity.

It is not just an issue in health, because there is a history, which I have experienced in a previous role, of systems not speaking to each other. The question is whether we buy a system that completely blankets all the small systems, as has been done in other parts of the United Kingdom, or whether we try to get some connectivity between the systems, although the question then is how costly that would be. The systems are often quite old, so the difficulty is that we are replacing and spending a lot of money on a connectivity that will become outdated because development in digital processes and skills is so rapid.

I absolutely understand your frustration, not least because the biggest issue here is not just what happens with the contracts but their impact on the public and people who expect services to answer their needs. I will therefore undertake to write to you on that issue, if that is acceptable.

Dr Simpson: Thank you.

Nigel Don: You have very conveniently reached the point that I want to ask you about, Ms Evans.

We have already agreed that the things that you are dealing with are extremely complicated. However, many of the things that you are now working with are old, so they will reach a point where you will need to replace them anyway. If I am right in believing that every programme and system that you are putting in now has a lifespan and there is a risk of those lifespans getting shorter simply because things are being overtaken, surely there is an even bigger problem in terms of skills and management because what you are trying to do now is less than you will need to do in the future just to maintain what you have, never mind develop new systems that you might want in other areas that are currently not even automated—if I can use that term. Has anybody given any thought to the skills management and, indeed, the whole management of that project in the longer term as it gets more complicated and there are more systems out there?

Leslie Evans: We are looking at that very carefully. I am leading a piece of work, which I instigated when I came into post, to look at what we need in the way of skills management and capability over the next five years in Scottish

Government. That is not just in the important area of ICT, which is the area that you are focusing on. The work I am doing is not unique to that; we also need to think about whether we have the civil service, the structure and the governance approaches to enable us to cope with the knowns and unknowns of the next five years.

Anne Moises might like to talk about what we have in place already to future proof some of our skills challenges.

Nigel Don: Sorry to interrupt—I would be interested to hear it but I suggest that five years might not be long enough. I hope that you are talking about programmes that will be there for 10 or 15 years.

Leslie Evans: Absolutely. I am talking about five years in relation to the five years of the Government, as opposed to a longer-term horizon-scanning process.

Anne Moises: I will pick up on two points that come out of your question, one of which is about the built-in obsolescence of software.

One thing that procurement is looking at closely is planning almost immediately for the replacement of something when we buy it new. It is not just about the contract to deliver what we get; it is about how we get out of that contract at the end and ensure that the data and knowledge that have gone into the system can be properly transferred into something new, assuming that that is what is going to happen. We are tackling that procurement and contract element.

On the skills and talent that we are going to need in future, the skills analysis work that we did across Scotland looked not just at the current skills gaps, or what we need now; it asked organisations what they thought their future skills requirements would be. The work that we are doing in the skills investment plan and with CodeClan is attempting to tackle some of those issues.

Where there is a gap now and where we perceive there will be a gap in the future is in cyber. People are conscious of the dangers of cyberattacks and security. The work that we are doing around cyber will take some time to come through. We are working with colleges and industry to create courses that will teach transferable skills. People who might work in the industry at the moment but are in an area that is downsizing or is not required can reskill in the up-and-coming areas where we know we will need more people in future.

Leslie Evans: I hesitate to mention common agricultural policy payments, particularly at this stage.

Mary Scanlon: We are coming to that next.

Leslie Evans: I thought that it might come up. The IT system that is designed for that is only one element of the challenge, and it has been specifically designed to last longer than the programme, or more than seven years. We are already thinking about what might be needed to replace it.

Colin Keir (Edinburgh Western) (SNP): You have partially answered the question I was about to ask. One thing that is apparent in many of the reports on procurement processes that we have gone through in the past months is that, when it comes to proceeding with the contract and seeing the outcomes, there seems to be a lack of clarity of purpose or where you want to be with the contract. We have the initial contract, or the tender, and then we reach a position where it might not be what we wanted, so changes are made to the contract. How clear are we that the management at the initial stage and the advice that is given about the contracts are clear about the purpose of the contract?

Leslie Evans: That is a good point, and Anne Moises will share some of the work that is being done by the teams that we mentioned, including the senior responsible officers and the accountable officers.

The question goes back to the point that I made earlier that the requirements specification is crucial in the early stages of procurement. That specification sometimes changes, which is the other issue. We will come on to talk about CAP payments, but it is an example of where we were working hard on getting the IT right for what we thought was required and then it changed quite significantly as a result of what the industry and the European Union wanted and because the EU decided to change some of the specifications around its regulations. It is a real challenge to be able to specify something that is flexible enough to allow for some of those customer-focused or other changes. In part, it is a question of getting the specification right in the first instance.

Anne Moises might want to say something about what we are doing to train and support people working on that.

Anne Moises: The specification is the key to everything, because that leads to the contract. If we know exactly what we want to procure and we know that we are going to need exactly the same thing for the next three years, we can go out and buy it. However, particularly with IT programmes and projects, life very seldom stays still for that length of time.

Part of our change in approach is to be more agile, which is to recognise that change will be constant. That means setting up contracts that have a degree of flexibility and that we go into

assuming that there will be change. Crucially, however, the change to the contract should be effectively managed and the Government organisation that wishes the change, as well as the supplier that is delivering it, should be clear about exactly what is involved and the degree of flexibility. The worst kind of contract is one where we are attempting to make a change every three weeks—that adds cost and complexity. It is therefore a question of getting the balance right between agility and flexibility and a degree of certainty around the costs.

From a buying perspective, if I can absolutely specify what I need, I can negotiate the suppliers down and I can get a fixed cost and hold the suppliers to that. If I do not know what I need, I have to be considerably more flexible. The key then is managing change effectively.

Colin Keir: There is obviously a financial consequence every time there is a change. We have had a fair history of the costs of IT contracts going through the roof. Even allowing for what you have said, is there an understanding of how we can drag those costs down? How can we manage and recognise that through the audit function, let alone the actual management, without going into the practical difficulties of a contract that could have clauses in it that reduce the amount of information that can come out? We really need to know how we can keep a hold of that issue within the audit function, which is what we are dealing with.

Anne Moises: One thing is to recognise, at the very start of a programme or project, that there are likely to be changes and to set up the contract so that the organisation and the supplier are clear about the basis on which the work to deliver those changes will be costed and whether that basis will be consistent throughout the life of the contract.

If we nail down issues such as the increased cost of living at the start, that does not mean that change will not happen but it does mean that there will be a much higher degree of certainty about how the costs of the changes will be managed and controlled. The other thing is specifying the changes in a degree of detail, negotiating with the supplier about exactly how they are going to be delivered, and challenging the supplier.

Mary Scanlon: I have a couple of brief questions before I come to my substantive question, which is on the CAP programme.

The first is for Anne Moises, who I think said that the digital transformation service, which is the Government's source of advice and expertise, is working with five organisations at the moment. Can you tell us which organisations?

Anne Moises: The service is about to start working with the futures programme, which is

suffering some losses on its teams at the moment. It is already working with the National Records of Scotland on recruitment and with the Scottish Courts and Tribunals Service, Scottish Enterprise and the Care Inspectorate.

Mary Scanlon: So, the service is not working with NHS 24 or the CAP futures programme.

Anne Moises: It is working with the CAP futures programme on potential recruitment for particular—

Mary Scanlon: You said that it is working with five organisations but you have already listed five, so there are more than five organisations.

Anne Moises: There are more than five. CAP was yesterday—

10:15

Mary Scanlon: Your response earlier was that it is working with five.

My second question is this: do the CAP payments in Northern Ireland, England and Wales face the same problems as the payments in Scotland, or are they being paid out when they are due?

Leslie Evans: You will be aware that the deadline for payments is June, and it is my understanding that all the countries of the UK have subscribed to that deadline. Wales and Northern Ireland are counting their regions as one region, which is different from how we operate. Our CAP programme operates under a description that gives us three payment regions and three livestock schemes. That was decided in response to requests from the industry itself that we configure the scheme in that way.

Mary Scanlon: I asked only whether the payments are being made on time or whether those countries are having problems with expenditure and IT.

Leslie Evans: I understand that, in Wales, they are making the payments in two parts, as we are, whereas the Department for Environment, Food and Rural Affairs is making only one round of payments in England. They still intend to get their payments out before they are due, as we do.

Mary Scanlon: The payments are being made on time, but are they on budget?

Leslie Evans: I cannot tell you that, but I can find out what information is available to us.

Mary Scanlon: My third question is very short. Ms Evans, quite a few of your comments have been about the shortage of IT specialists, skills management and skills shortages. The first exams that an IT specialist would do would be at national 4 and 5 levels. How many additional pupils sat the

national 4 and 5 exams in IT in May/June this year in order to address your skills shortage?

Leslie Evans: That is only one of our skills shortages.

Mary Scanlon: That is the start of someone learning IT.

Leslie Evans: I do not have that information with me, but I can make sure that it gets to you.

Mary Scanlon: You do not need to do that, because I can tell you the answer. It is fair to say that anyone who was going on to do a higher national certificate, a higher national diploma, a degree or a postgraduate degree, or anyone who wanted to study cybercrime or ICT at any of Scotland's universities or colleges, would start with the national 4 and 5 exams. However, this year, 29,000 fewer pupils sat the national 4 and 5 exams. If you, as the most senior official in Scotland, are in charge of addressing skills shortages, and if you are looking at the shortage of IT specialists and telling us that people are having to take pay cuts to work for the Scottish Government, I would expect you at least to have an eye on our schools, further education colleges and universities to make sure that we are growing people for those secure jobs in the future. However, I can tell you that 29,000 fewer people took those exams.

I will move on to my next question. What was the original estimated cost of the CAP futures programme?

Leslie Evans: I would need to consult colleagues on that. At the moment, the cost is estimated to be £178 million, which is about 4 per cent of the £4 billion in funding that will be distributed as a result of the CAP.

Mary Scanlon: I know that the cost is forecast to be £178 million, but I have found it difficult to get hold of the original forecast. In 2014-15, capital spending was £50 million—£32 million more than was budgeted for. Last year, the Government budgeted for £28 million and the cost came in at £50 million. Did the estimated cost increase from £28 million to £50 million in just one year? Does anyone around the table have the original estimate, having read the contract? The convener asked you seven times whether it was appropriate to read through a contract, and I am now talking about a contract for £178 million, which is more than twice the value of the NHS 24 contract—that figure pales into insignificance compared to the CAP figure. If the contract had been read, surely you would know what the original estimate was.

Leslie Evans: As you will be aware, contracts are let all the time in the Scottish Government, and the accountable officer for each of those contracts will be responsible for ensuring that the contract is

correct at the time of signature. They will take into account some of the points that were raised earlier—how items, circumstances, regulations and other contextual aspects can change.

The changes to the common agricultural policy payments project, including some of the changes that were—although not entirely—beyond our control mean that it is not just an IT project that we know has cost much more than it was intended to, but a huge change in how we administer payments for an important sector.

I am not trying to pretend that moving from an early-stage estimate—the type that you have described—to the £178 million forecast cost that we are at now is a success story, because it is not. I think that this and other committees in Parliament have had a lot of information and some representations from the accountable officer and the senior responsible officers for that project. I do not think that any of them have described that as being how we would have anticipated this to turn out.

We are focusing now on making sure that the project is effective and that we distribute the funding to farming communities in the EU's stipulated timescale of 1 December 2015 to June 2016. We are due to start making payments shortly, and we have a plan for how those will be executed over the next few months.

We have learned from the project. It is big and complex, and as I described we had a lot of very late information from a range of sources, including about the industry's wish to change the regions and about how the EU regulations added scope and complexity to the system. The project was also delayed because we had to undergo—quite rightly—farm inspections to ensure that the checks and balances were in place before payments were triggered. Therefore, there was a whole range of complexities around the project, which were not all IT related. That added to the difficulty.

I am not trying to pretend that the project has been perfect or that it is an ideal example of how to manage such projects, but we are focused now, as I think Graeme Dickson has explained to the committee and in other parliamentary fora, on getting it right for the farming community.

Mary Scanlon: It is far from perfect, and it is not just any old IT project that you are learning from. I have been on the committee for nearly five years, so I know that the previous Auditor General for Scotland raised issues about Registers of Scotland, the Crown Office and Procurator Fiscal Service and so on. We were told then that the Government would set up a support system and that everything would be all right.

The point, Ms Evans, is that in "The 2014/15 audit of the Scottish Government consolidated

accounts", the Auditor General does not list a whole load of IT systems; she lists only one. We are looking at a cost of £178 million for the project. I know that last year it was £32 million over budget. I would have thought that, as the most senior Scottish Government official, you would have done a wee bit of homework—I am absolutely amazed that you did not—and would have come along to the cross-party Public Audit Committee of the Scottish Parliament to say, "This was the original cost. We had various changes", and tell us who was at fault. We are old enough, wise enough and ugly enough to accept that, but we do not even know what the original cost estimate was.

I am not satisfied with your answers, because we heard the same answers five years ago, before you came into post. I put on record the Auditor General's comment that

"The programme has carried a significant level of risk from the outset, and risks will remain until full implementation and beyond."

Leslie Evans: I would absolutely agree with that comment. It is a risk because the project is so complex, it has so many aspects to it and it has had delays and changes. We have talked about specification and how difficult it is to ensure that the specification of a contract is pliable enough to be able to respond very late on to changes to the purposes that it is intended for. This project is a good example of that.

Again, I am not trying to make excuses. Everyone who has been before you has said—and the Auditor General has agreed—that this is high-risk project. Our focus now is to make sure that our payment plan ensures that farmers receive payments between 1 December 2015 and June 2016. As the cabinet secretary described earlier on in the week, we are entirely focused on that, and on working with the community and giving people the best support and information that we can.

Mary Scanlon: I ask you to provide in writing the information that you have been unable to provide to us today. As the Public Audit Committee of the Scottish Parliament, we would be failing in our duty if we were not to look at the original forecast and at all the reasons for the increased spend.

I will change my final question. Where do all the extra millions of pounds come from? We are always told that there is not enough money for this or that. I do not know how much over budget £178 million is, but I think that it is 78 or 80 per cent.

Leslie Evans: The figure is 74 per cent.

Mary Scanlon: Where do all the extra millions of pounds come from? We are so short of money in Scotland—people in the Highlands cannot get

home care. Where do you get all the extra millions for your IT projects?

Leslie Evans: My colleagues Alyson Stafford and Aileen Wright may want to talk about the overall management of the budget, but as principal accountable officer, I can say that we are responsible for ensuring that, where there are budget overspends, we make them up from within the Scottish Government's overall budget. There are not additional millions.

Mary Scanlon: As an economist, I know that there is an opportunity cost. You cannot spend money twice, so if it is spent on something, it has to come from somewhere else. Where does it come from?

Leslie Evans: That is absolutely right. We make tough decisions all the time during the accounting year and across accounting years. One of the reasons why we ensure that the money that we manage is below the cap of what we are allowed to carry forward is so that we do not lose a penny on what is dedicated to and spent on services. You will know that, if the money is finite, which it is, we have to make hard decisions across portfolios, not just within them, about where we will spend our money and how we will make up for difficulties in one area and pressures in another.

Mary Scanlon: So where is the money coming from?

Leslie Evans: We will often end up making a decision to delay or increase funding in one area, knowing that we will have to reduce spending in another area either within the year or in subsequent years. That is housekeeping.

Mary Scanlon: I have a final question.

The Convener: The answer should be very brief, please.

Mary Scanlon: When any of us in the Opposition parties have wanted to spend more on X—we all do that—John Swinney and every finance secretary before him has quite rightly asked us where we would take that money from. You have far more insight into the budget and you know what you spend. We are talking about hundreds of millions of pounds above the forecast expenditure, and you cannot tell me where it will come from.

Leslie Evans: I am saying that it is my responsibility and, indeed, the responsibility of the governance and assurance framework that operates in the Scottish Government, which is extensive and transparent, to ensure that we take appropriate decisions, often with ministerial involvement, about where we change the direction of financial spend. If the issue was the difference between not making the CAP project work and making it work, there would be a very strong

argument for us to move money to ensure that it works and that farmers receive the payments that they are due between December and June next year.

Colin Beattie: I have a quick question for the panel in connection with ICT. How many of the panel have been directly involved in the negotiation of ICT contracts and in scoping IT projects?

Leslie Evans: Three of us. My involvement was quite a long time ago, and the ICT world has moved on since then, but I have been involved in procurement and specification.

Colin Beattie: So three of the panel have been directly involved in contract negotiations and the scoping of projects.

Leslie Evans: My involvement was in the scoping and specification of a contract in local government.

10:30

Nigel Don: I want to move on to European structural funds, which the Auditor General mentioned in her report. I suppose that I could be concerned about the fact that it would appear that all four funds have been either interrupted or suspended, and you might want to comment on that, but what really concerns me are the issues that the report highlighted, including

“the robustness of information being retained”

and the “control weaknesses identified”.

I hold the information that I put on my tax return for six years. Why is it difficult to hold on to information for European structural funds for the period that is required for it to be audited?

Leslie Evans: That is one of the conversations that we are having with the 18 organisations that have had most errors cited. We are talking to them about the kind of information that they have retained in response to receiving the funds. The errors vary. Sometimes, the issue is not the retention of the information but the nature of the information that is retained. For example, one of the most common areas that are being revealed through the stringent audit process concerns time sheets. Some organisations have members of staff who work part time on a European structural funds project and the rest of their time on a core project or some other kind of project. The regulations and audit practice state that that kind of information needs to be carefully and minutely detailed. Sometimes that has been done; sometimes it has been done but not found at the time of the audit; and sometimes it has not been done. There is a correlation with the need to keep accurate information, but it involves keeping

information that is required as part of the regulations around receiving the funding.

We are working closely on the matter and I have spoken to the chief executives of two of the organisations about it. We are using the information from past cases to inform how the next tranche of funding is applied. We are doing away with the requirement to consider pieces of paper showing staff time—that is, time sheets—in order to simplify the process considerably, and we are putting more effort into testing the capacity of the organisations that will be in receipt of the next tranche of funding. We have learned a lot from the current situation, and we are still working with the organisations that have been in receipt of funding to drive down the error rate and find those pieces of paper. Misuse is unlikely; the issue is more to do with things being mislaid.

Nigel Don: I take your point that it is more likely that people do not have the information to back up the suggestion that they have done the right thing than that they have, wholesale, misappropriated funds.

Am I allowed to sit here and be surprised by the situation? How long have we had the European Union? How long have we had structural funds? How long have we had bits of paper called time sheets? Why is it not absolutely basic to those who receive funding that they understand that that information needs to be there?

Leslie Evans: We have certainly made that crystal clear. Earlier in the year and over the past few months, the former permanent secretary and the Deputy First Minister wrote to all 18 of the organisations that had the highest level of errors of the kind that you are specifying to ask them why the situation was happening and what they were doing to address it. To be fair, some of them have made real progress in their efforts to find those pieces of paper and identify where that information was recorded. I am thinking of Scottish Enterprise in particular. It rapidly set up a task force and drove down the number of errors that were being cited, because it managed to identify the data and information that were being sought. That is why it is important to simplify the process and ensure that there is rigorous, upfront testing of organisations' capacity and an understanding within them about what is required to comply with the rules around the disbursement of significant amounts of public money, which they will, quite rightly, be held to account for.

Nigel Don: Do you really believe that that message is getting through? I could sit where you are and say what you have said. I understand your frustration that some of the organisations do not do some of the things that you ask them to do, but is this not quite basic? Is the situation not just that organisations will not get paid unless they comply

with the rules on tracking the money? Every accountant has known for ever that, if they cannot produce a time sheet, they cannot get paid. I filled in such time sheets once. Why is this difficult?

Leslie Evans: I have talked to a couple of the people who are part of the process of giving money to the organisations. One of them was as mystified as you are about why the money that had been received by an organisation had not been seen as having strings attached to it in terms of the governance and assurance required.

As for the others that I have heard about, one or two of which, as I have said, I have spoken to, it is more a case of ensuring that, administratively, they keep rigorous and effective track of the information. Although that is quite fundamental and simple, it is the area where difficulties have arisen. However, as the example of Scottish Enterprise shows, putting some of that right has been a relatively quick and easy thing to do. Information is there; it was not produced at the time of the audit, but it is now there.

You are right. It is our role—indeed, it is my role—to make it very clear to those who are in receipt of the funding that they must continue to put in place the measures that are required to ensure that there is accountability with regard to that funding and that the public pound is tracked. In general, grant-aided funding criteria are very important and, as far as the EU is concerned, that funding is finite and specific. That is the message that I and others who are responsible for the projects will keep sending out.

Nigel Don: I guess that people realise that they have to do things right only when you stop paying them, but I suspect that that option is not always open to you.

Leslie Evans: Indeed, but money is being clawed back and withheld from some of the projects, which, of course, immediately brings to people's attention the importance of the issue. There is a danger, however. We are talking about some very good projects that do really important work in important parts of the country, and in all of this we do not want to disrupt the end receiver—the people who enjoy and make good use of the services and opportunities that are provided through European structural funds.

Dr Simpson: With regard to the Office for National Statistics and its use of the European system of national and regional accounts 2010, I understand that the ONS has now approved the Scottish Government's proposed system for maintaining the new non-profit-distributing contracts under the private sector, that that is satisfactory and that we will now be able to move ahead with projects.

Leslie Evans: Some of them, yes.

Dr Simpson: Why only some?

Leslie Evans: The Deputy First Minister announced quite recently—at the end of November, I think—the hub projects that have been given ONS status and my understanding is that they are now live.

Dr Simpson: Am I correct in thinking that the Government's new mechanism for keeping these projects in the private sector is 60 per cent private funding and 20 per cent each of charitable and public funding?

Alyson Stafford: This relates to the governance arrangements for oversight and delivery of those projects. The balance is such that it is the interjection of the charity arrangement that enables this funding to be seen as non-Government and allows the additionality that these projects bring to continue. The answer to your question is, therefore, yes.

Dr Simpson: I understand that. The previous 60 per cent to 40 per cent mechanism was seen as being satisfactory in respect of a project not being a public one.

However, I am concerned about the charity aspect and I wonder whether I can get more information about it. What charity are we talking about? Where is the money coming from? Who will run the charity, and how will it be independent? Will it be run entirely by the private sector?

Alyson Stafford: Some of that detail is best provided by the Scottish Futures Trust, but the charity itself will by its very nature be separate from Government. The reason for having a charity is to enable that. It is being set up with terms that will be worked through with the Office of the Scottish Charity Regulator, and specifying its nature will be key to securing what is needed to deliver the hub projects.

I could probably save the committee quite a lot of time on this by sending it a report about the charity's nature.

Dr Simpson: That would be more helpful than spending more time on the matter now. I am still concerned about putting public money into a wholly independent charity. Who will appoint its members? There is a lot of detail that I would really like to see, because we are still retaining the public-private partnership model. After all, the private finance initiative, public-private partnerships and non-profit-distributing approaches are all the same, if slightly different, and we need to get this mechanism correct under the new and rather more complex rules that are being established to satisfy the ONS. That is what I am interested in.

Alyson Stafford: I am talking to you about the hub model, in terms of the restart of the investment programme that we have been keen to see, and it is important to understand that there are a number of different safeguards and arrangements. I have been talking to you about the governance arrangements, which involve the division of the different players that are involved, now including the charity, but there is still always a contract that also gives safeguards. Therefore, there are two ways of providing safeguards: through the people who are involved in oversight but also through the contract arrangements. It might be helpful for you to see both parts of that, to give the assurance that you need and a more complete picture of the process.

Dr Simpson: That would be very helpful.

Colin Beattie: I have a couple of quick questions on the ONS. First, does the new structure have any direct implications for the Scottish budget? Secondly, do the delays that we have experienced while we have been waiting for the ONS to make its mind up have any implications for the existing capital projects?

Alyson Stafford: The announcement was made on 26 November and the SFT is engaging on a project-by-project basis with each of those projects that now have the re-energised opportunity to proceed. An analysis of that will be prepared and it will be for ministers to work through the implications of it. Everyone wants the projects up and running as soon as possible, although the educational year is taken into account in the timing and delivery of the school schemes. That information is being worked up and, if it would be helpful to the committee, we can send it to you.

Colin Beattie: Will the new structure have an on-going cost? Is there any cost implication at all? I realise that each individual project may have to be re-evaluated and that there might be costs attached to that. I presume that that information will be published shortly.

Alyson Stafford: Yes, it will. There is a distinction to be made. The delivery costs of individual projects will be reassessed because we are now working to a slightly different timeframe. However, because the model enables us to retain the additionality, it will not count as part of our capital programme, so it is not a hindrance to the overall investment programme, which is good to see.

The Convener: I thank the permanent secretary and her team for their time. I am sure that we can follow up in correspondence the commitments that have been given.

Major Capital Projects (Update)

10:43

The Convener: Agenda item 3 is consideration of responses from the Scottish Government and the Westminster Public Accounts Committee on the Scottish Government's major capital projects for 2015, giving us a progress update. Colleagues may be aware that the Infrastructure and Capital Investment Committee expects shortly, as part of its draft budget scrutiny, to look at the potential impact of the ONS's decision on major capital projects.

I welcome comments from colleagues on what further actions they propose that we take. We have the option to note the report.

Dr Simpson: I echo Mr Beattie's comment that it is important for the committee to know the additional costs arising from the ONS's delay—because it is the ONS that has held us up for a considerable period. The Scottish budget is still a limited budget and those costs have been imposed on us by Westminster. I think that we should seek some additional consequentials to cover the additional costs that are involved.

The Convener: Does the committee agree that we should note the responses?

Members *indicated agreement.*

Section 23 Report

"Scotland's colleges 2015"

10:45

The Convener: Agenda item 4 is a section 23 report entitled "Scotland's colleges 2015". As well as the formal responses that we have received from the Scottish Government, the Scottish funding council and Audit Scotland, we have received correspondence from the University of the Highlands and Islands and Glasgow Kelvin College. That correspondence has been circulated to members and has been published on our website. I invite comments from colleagues.

Mary Scanlon: Dr Foxley is a bit of a constant critic of this committee, including when we were looking at NHS Highland. I think that he has read something that I did say: I reflected accurately the figure from the Audit Scotland report that 4 per cent of students in the Highlands and Islands come from deprived areas. Unfortunately, Dr Foxley tends to read only that as the justification for his comments in his letter. I think that even Colin Beattie, a colleague who sits on the Education and Culture Committee with me, will agree that I constantly raise the fact that the Scottish index of multiple deprivation might work very efficiently in urban areas, where there are areas of deprivation. In the Highlands and Islands, however, the poorest child in the village can be sitting alongside children of millionaires—that is the way of life in the Highlands and Islands.

I was pointing out that, for people attending further education in the Highlands and Islands, the figure is much greater than 4 per cent, but there is no designated area of deprivation because of the sparsity of population. I have never missed an opportunity to say that the Scottish index of multiple deprivation might accurately reflect urban areas but does not accurately reflect the poverty and deprivation in very remote communities.

I do not think that Dr Foxley's letter is worthy of a reply. It is unfortunate that he has not looked at the further work that I have been doing on the issue concerned, which includes raising it at stage 2 of the Education (Scotland) Bill yesterday when we were looking at the issue of attainment. That is all that I have to say.

The Convener: Any further comments?

Colin Beattie: We are probably at the point at which we should just note the responses that we have received as we have a limited ability to take them much further at this time. I think that the committee probably has to come back to the overall question of the colleges, but perhaps that

is something for our legacy document—I do not know.

Dr Simpson: I want to be clear whether we are dealing with the correspondence from Paul Johnston.

The Convener: We can deal with any of the items.

Dr Simpson: I am interested in the—

The Convener: Sorry, but I will just clarify this for the record. We have received responses to our report, so we can consider any feedback in that correspondence.

Dr Simpson: Thank you for clarifying that, convener. As a recent member of the committee, I just want to make sure that I am on the right spot.

I am interested in the student support budget, which Paul Johnston's letter states is at "a record high" of £105 million

"in bursaries, childcare and discretionary funds".

Has the committee received a breakdown as to which is actual maintenance payments and which is loans? Do we know that? I would be really interested to know.

Colin Beattie: We had that information previously.

The Convener: I do not think that we have that information. However, if the committee requests it, I am sure that we can get it.

Dr Simpson: That would be good.

On another point, I find the letter from the Scottish Further and Higher Education Funding Council very confusing. First, with regard to the merger savings, I really am no clearer than I was. I have no idea what those are and what they are intended to be. Again, I might have missed something because I was not on the committee when the process started, but £50 million of annual savings are supposed to come in from 2015-16, if am reading the SFC's letter correctly. I might not be, as I find it a very extraordinary letter—it seems to confuse efficiency savings, which is something that every public institution has to undertake, with the merger savings, which are different.

I am also very unclear as to what regional costs are involved. The Motherwell, Cumbernauld and Coatbridge colleges merged into New College Lanarkshire—we have been looking at that in detail—but South Lanarkshire College stayed out of that, so there is still a regional structure above it. With regard to the £50 million savings, what are the additional costs of the regional structure? I am unclear about that because I cannot see anything about it in the letter.

In that respect, I think that we need to do a little bit more than note the response. I recommend that we say that the committee is not yet satisfied that it has seen precisely what is happening.

The recent Educational Institute for Scotland report, which reviewed staff expectations with regard to the mergers and the positive things that might come out of them, seems to have negated all of this. I am really pretty unhappy about the process. I know that we all agreed it and felt it necessary to have improved efficiency, less overlap and so on, but I am really unhappy about the information that the Public Audit Committee is being provided with.

Nigel Don: Being realistic, I wonder whether we will be able to pursue very much in the remaining time that we have, but I note the Auditor General's comment that her annual report on Scotland's colleges will be provided next year. It might well be that the best practical thing to do is to leave our successor committee to look at the next phase, when the same issues will undoubtedly will be returned to.

The Convener: I want to make a couple of points before we conclude and decide how to take this forward.

I think it perfectly reasonable for the committee to seek further information from the Government on the recognised decision that was made on college mergers and the savings that were to be made. I do not think that the mergers would have been pursued had the proposed saving not been £50 million; that was the amount that was highlighted and, as I recall, that was the basis on which there was significant cross-party agreement for proceeding.

However, I hope that, when all the necessary information was provided to the Government for that informed decision to be taken, the £50 million figure was a pretty robust one. The question that we are asking—and which we are quite right to ask—is whether the figures in question are as robust as they should be at this stage. It would therefore be helpful to seek information from the Government and, indeed, whatever agencies can provide it so that we can be clear about how robust the figures are. I must admit that, after reading the SFC's response, I am no more convinced than I was when Tavish Scott raised the matter with the funding council in our evidence taking. It will not be unhelpful to seek whatever information the Government or the SFC has at its disposal; indeed, I would be astonished if they were pursuing this without being aware of more significant information and detail than we have been provided with.

I also draw members' attention to the correspondence from Alan Sherry, the principal of

Glasgow Kelvin College, in respect of the compulsory redundancies that have been made at the college. It is important that we recognise Alan Sherry's concern about the accuracy of the term "compulsory redundancies" in this respect and his feeling that it was not an accurate reference in our report. However, having reflected on the matter, I am content that the wording of the report is correct. Redundancies did take place at the college, although I point out the footnote in the report that sets out the background and makes it clear that the compulsory redundancies were carried out by a private contractor responsible for the catering contract. It needs to be recognised that, as I understand it, those employees had been transferred under the Transfer of Undertakings (Protection of Employment) Regulations 2006 as part of the previous contract for Stow College. I am therefore satisfied that there have been compulsory redundancies.

I also note that in an exchange with a number of members around the table the education secretary Angela Constance confirmed that she, too, opposed the compulsory redundancies that had been proposed at the college and asked for the Government's policy to be implemented, although she recognised that it was not within the Government's gift for that happen and that it was up to the college to take those decisions. I am satisfied that we reflected the situation accurately in our report, but I understand that the college has its own opinion on the matter and that it is quite entitled to that. We will note that and ensure that Alan Sherry's response is provided on the public record.

Can we proceed on this, colleagues? Is there any more feedback?

Colin Beattie: I have no problem with asking for more information but, like Nigel Don, I am conscious of the time that we have left to look at it. I also note that the SFC letter says that there will be

"a post-merger evaluation for each individual merger"

in autumn 2016; it actually says that the evaluations are scheduled to take place up to July 2016, which means that we will get the hard figures in the autumn. That is when we will see what has been achieved, no matter what anyone is saying at the moment.

Mary Scanlon: I have two points to make. I do not think that that should stop us asking about the £50 million annual savings that were promised because that was why we all supported the decision and voted for it.

However, there is a second issue that I think we should keep on the agenda. We were not just promised £50 million savings every year; we were promised that the quality of education and training

would be enhanced. I know that we are the audit committee but we should not lose sight of that because that was another reason why we thought that it was a good idea—the larger colleges would have greater expertise, economies of scale, and be more specialised. We expected—and, I believe, were promised—an enhanced quality of education and training.

Sandra White: I am just a substitute member of the committee, so I pop in and out, but I have looked at the legacy paper for the audit committee. Having read the letter and looked at the table of colleges, mergers and pay-outs, my concerns lie with the SFC. I do not know whether you can ask questions in regard to that as a follow-up rather than closing the matter but, as an audit committee, I think that perhaps you should be looking at the SFC in the next round.

The Convener: Okay, colleagues. We have the option to note the report—I am not getting the feeling that the majority of the committee wants to do that. The other option is to write to the Government to ask for further information. A recurring theme in the committee's evidence sessions has been the lack of clarity around the £50 million figure. We all want to achieve that saving but we want to see how it is going to be achieved.

We have to make it clear to the SFC that we want to see clearer and more concise information on that figure so that we can be satisfied that the direction of travel is one that will achieve those savings.

It would be a poor reflection on the committee if we arrived back in the autumn and the figure had not been reached and we had not in some way highlighted that it was an issue. Do members think that we should write to the Government on that basis?

Nigel Don: Convener, I think that you have it absolutely right. It is about the direction of travel. I think that the SFC letter says that we will not know that we have got to the station until we have this year's accounts to add up but it is about the direction of travel and the SFC must have some work in progress on the numbers. It would be good to see what the SFC can provide us with.

The Convener: We have seen from the evidence that we have taken from some of the other colleges, including Coatbridge College, that sometimes the accounts are not coming forward as quickly as they should be and some information has perhaps not been as robust as it should be. We have to be clear that even an interim position on the numbers would be useful. I would be surprised if the SFC was not at least carrying out some kind of assessment of the current position in respect to the savings and I would be surprised if

the Government was not putting pressure on the SFC to advise it on that.

The Government will want to ensure that the £50 million that is saved is redistributed and is used for the benefit of students, as Mary Scanlon said, because the whole idea was that we were making the savings so that we could then reinvest in the college estate and the other aspects of the student experience. It would be reasonable for the Government to have at least the same appetite as we do to be able to clarify exactly where we are with this.

Mary Scanlon: They merged in 2013; we are just about to go into 2016. We should have annual accounts; it should not be that difficult to look at what savings have been realised.

The Convener: Okay, is that helpful? Do colleagues think that we should move forward on the basis of seeking further written information?

Members *indicated agreement.*

The Convener: I thank colleagues for that. We move to agenda item 5, which we have agreed to discuss in private.

10:59

Meeting continued in private until 12:49.

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