

# **AUDIT COMMITTEE**

Tuesday 22 February 2005

Session 2

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## **AUDIT COMMITTEE**

### **4<sup>th</sup> Meeting 2005, Session 2**

#### **CONVENER**

\*Mr Brian Monteith (Mid Scotland and Fife) (Con)

#### **DEPUTY CONVENER**

\*Mr Andrew Welsh (Angus) (SNP)

#### **COMMITTEE MEMBERS**

\*Susan Deacon (Edinburgh East and Musselburgh) (Lab)

\*Robin Harper (Lothians) (Green)

\*Margaret Jamieson (Kilmarnock and Loudoun) (Lab)

\*George Lyon (Argyll and Bute) (LD)

\*Mrs Mary Mulligan (Linlithgow) (Lab)

#### **COMMITTEE SUBSTITUTES**

Chris Ballance (South of Scotland) (Green)

Mr Ted Brocklebank (Mid Scotland and Fife) (Con)

Marlyn Glen (North East Scotland) (Lab)

Mr John Swinney (North Tayside) (SNP)

\*attended

#### **THE FOLLOWING ALSO ATTENDED:**

Mr Robert Black (Auditor General for Scotland)

Barbara Hurst (Audit Scotland)

#### **THE FOLLOWING GAVE EVIDENCE:**

David Brew (Scottish Executive Education Department)

Sir Timothy Clifford (National Galleries of Scotland)

Mr Michael Ewart (Scottish Executive Education Department)

#### **CLERK TO THE COMMITTEE**

Shelagh McKinlay

#### **SENIOR ASSISTANT CLERK**

David McLaren

#### **ASSISTANT CLERK**

Clare O'Neill

#### **LOCATION**

Committee Room 1



## Scottish Parliament

### Audit Committee

*Tuesday 22 February 2005*

[THE CONVENER *opened the meeting at 09:52*]

### Items in Private

**The Convener (Mr Brian Monteith):** Good morning and welcome to the fourth meeting in 2005 of the Audit Committee. I remind members to turn off their mobile phones and pagers and I welcome members of Audit Scotland, the public and press to the meeting. We have received no apologies. Andrew Welsh is not here, but I presume that he is coming, because we have not heard otherwise.

Item 1 is to consider taking items 4, 5 and 6 in private. Item 4 is to enable the committee to consider the evidence taken under agenda item 3 on the section 22 report by the Auditor General for Scotland entitled “The 2003/04 Audit of the National Galleries of Scotland”; item 5 is to enable the committee to consider written evidence on its inquiry into the report by the Auditor General entitled “Overview of the financial performance of the NHS in Scotland”; and item 6 is to enable the committee to consider a draft report on its inquiry into the reports by the Auditor General entitled “Commissioning community care services for older people” and “Adapting to the future: Management of community equipment and adaptations”. The question for the committee is whether we agree to take those items in private.

**Members** *indicated agreement.*

## “Overview of the National Health Service in Scotland 2002/03”

09:54

**The Convener:** Agenda item 2 is the committee’s consideration of a follow-up response from the Scottish Executive to its eighth report of 2004, on the “Overview of the National Health Service in Scotland 2002/03”. I invite members’ comments on or reactions to the Executive’s response. There are quite a lot of papers for the meeting; members should ensure that they have the correct overview paper in front of them.

**Susan Deacon (Edinburgh East and Musselburgh) (Lab):** I just want to check that I am looking at the right papers. Are we considering the batch of papers that begins with a letter to you dated 7 February, convener?

**The Convener:** Yes. That is the one.

**Susan Deacon:** I have one point and one question. The point is about the estimated costs of agenda for change. It was indicated previously that the costs would be in the range £130 million to £160 million. I recall asking specifically at our most recent meeting where in that range the costs would fall and was told that they would fall at the upper end of the range. I note that in paragraph 20 of the pay briefing attached to Kevin Woods’s response, he now gives the estimate £150 million to £160 million, so the lower end of the range has fallen out of the estimate.

Figures from Audit Scotland, which are referred to in the correspondence from Ian Gordon, were subject to press coverage. Does Audit Scotland want to clarify the interpretation that was placed on the figures?

**Mr Robert Black (Auditor General for Scotland):** On the press coverage—in *The Scotsman* in particular—of the funding numbers, we are not entirely clear how the totals were calculated. The figure of £239 million was mentioned. That figure was contained in information that came to the committee under cover of the letter from Ian Gordon of 10 January 2005, at the end of which is an annex that refers to the Audit Scotland estimated additional costs of pay modernisation. The figure that the Scottish Executive gave under that heading was £238,788,000. That figure was not in our report.

You will recall that in our original report we said that we could not give a figure for the estimated additional costs, because the numbers that we were receiving from the Scottish Executive Health Department might have been compiled on a different basis and we did not have confidence in them. Therefore, there is no such number in my

report. The report says that there is evidence that the health board estimates are higher than the departmental estimates, but I did not give a number because I thought that it would be unreliable. Perhaps that provides further evidence of the need for improvement in the estimating that takes place so that the department and Audit Scotland can report publicly on agreed figures.

I wonder whether the Audit Scotland team can help us with the other elements of movement in the cost of pay modernisation.

**Barbara Hurst (Audit Scotland):** We have tracked the movement of the sums of money for pay modernisation since we first reported in August 2004—the figures are from the Health Department. Recent written evidence to the committee stated that the cost of the consultant contract had moved from £22 million to £31 million. The cost of the general medical services contract has moved from £64 million back in August 2004 through to £82 million in December 2004 and now sits at £85 million. The cost of agenda for change, as Susan Deacon has just pointed out, started in the range £130 million to £160 million and now sits at £150 million to £160 million.

**George Lyon (Argyll and Bute) (LD):** The figures being quoted are for 2004-05, but the briefing goes on to say that the cost by the time agenda for change is implemented in 2005-06 will be in the £180 million to £200 million bracket. Was the initial estimate for 2004-05, or was it for the total cost once agenda for change was implemented?

10:00

**Barbara Hurst:** We have asked the department only for figures by year, so I can report to you only the figures that the department gave us for 2004-05. In its most recent evidence to the committee, the department put the figure at about £190 million for 2005-06, which is within the range that you mention.

**George Lyon:** That figure is for full implementation. I would have thought that, if one were forecasting the costs, one would forecast the total costs and not simply the costs of the first year of implementation. By the time of full implementation, the likely outturn figure will be £190 million.

**Barbara Hurst:** That is the figure that the department is giving for 2005-06.

**Mr Andrew Welsh (Angus) (SNP):** I had not realised the complexities; we seem to be looking at shifting sands. As Susan Deacon has pointed out, the figure for agenda for change has already gone up.

I note the health warnings in the answer that we have received on agenda for change cost modelling, which contains phrases such as

“assumptions ... subject to change ... job matching ... just getting underway ... cost modelling ... should ... be treated as continuing work”

and

“current figures can only reflect the latest data to hand.”

The briefing goes on to say that there are

“a number of local factors which will affect the model.”

It also says that costs will depend on the way in which local managers implement the system.

In all the figures, the trend is up. We really seem to be looking at shifting sands. How robust are the estimates? Are the figures—of £150 million to £160 million, or of £180 million to £200 million a year later—best guesses that will be subject to many unknown forces?

**Mr Black:** That question would probably be more appropriately put to the department. However, we have to acknowledge that there will never be an accurate point estimate of the cost of what are complex pay deals. Agenda for change in particular involves very large sums of money. The way in which the pay deals work through to application in individual health boards for individual groups of staff will depend on many factors. There will be a lot of uncertainty. We have to acknowledge that. I am sure that the department will be working hard to keep its estimates up to date, but we will never reach a point at which we have the definitive figure for the cost of the pay deals.

**Mr Welsh:** I understand that, but I wanted to emphasise that we are dealing with shifting sands.

**George Lyon:** The explanation in the letter from Ian Gordon talks about the difference between the department's estimates for the GMS contract and the Auditor General's and Audit Scotland's estimates. The letter mentions the initial primary medical services resource and then

“the initial allocations plus the estimated additional costs”

for out-of-hours services, for example. Will you explain what is meant by that? I take it that an initial figure was given to the boards that was then topped up as the year went on. Is that what is meant? I am looking at the second-last paragraph of the letter from Ian Gordon.

**Barbara Hurst:** Some of Ian Gordon's figures will be based on the totality of the money going into primary medical services and others will be based on additional costs. That is why we did not use those figures in our report; they do not compare like with like. We wanted to unpack the

figures and we asked the department to help us with that.

**Mr Black:** I want to place on record our view that it is not accurate to talk about these numbers as Audit Scotland's estimates. What we have here is a list of numbers that we have obtained from the health boards. We did not have confidence in the figures and therefore did not include them in our report to this committee.

**George Lyon:** I am just quoting back what is said with the figures.

**Mr Black:** For the record, they are not Audit Scotland's estimates.

**George Lyon:** It seems strange that it was hoped that an initial lump of money would suffice, but that people could then come back and ask for more. That does not say much about the ability to forecast what the actual costs of the contract will be.

**Margaret Jamieson (Kilmarnock and Loudoun) (Lab):** I want some information from Audit Scotland on agenda for change costs and, in particular, the estimates at 19 January. I am concerned that just 57 per cent of the workforce have been matched and that we have seen the range of costs increase. How often will we or Audit Scotland have an update on the situation? We have seen a £20 million move but only 57 per cent of the workforce have been matched into their new job specifications. How will we be able to track the costs? Is there a problem in relation to the department anticipating increases? The jobs that are not matched are the ones that are more difficult to track.

**Mr Black:** I assure the committee that the auditors of the Health Department and all health boards will look closely at the numbers in this year's audited accounts for the pay deals. When we report to you later in the year, with our next overview of the health service, we will have reliable numbers for the expenditure that has been incurred. However, it will be for the department, not Audit Scotland, to estimate what the additional commitments that are yet to be met will be. I wonder whether Audit Scotland can help by explaining how we think the numbers are moving.

**Barbara Hurst:** Everyone will recognise that there is still an element of uncertainty because, as you say, the job matching needs to be done. I do not think that anybody will suffer a detriment, but the issue is quite complicated. For 2004-05, as the Auditor General has said, we should be able to audit more accurately the cost that is incurred at each board level. However, at the end of this year, we will still be working on some uncertainty about future expenditure.

**The Convener:** Do members have any final questions?

**Mr Welsh:** Is there any chance of the estimates going down or being overestimates? Is that a pious hope, given that all the figures seem to be going up as the story unfolds?

**Mr Black:** I am not sure that we can answer that.

**The Convener:** I do not think that Audit Scotland can answer that.

**Mr Welsh:** I look forward to finding out the answer.

**The Convener:** We will know it when we get the next set of audited accounts. There being no other questions, we now have to decide what to do about the Executive's response. Given that we are preparing a financial overview report and that this is a response to a previous report, I suggest that, rather than prolonging discussion of our eighth report, we should incorporate any other specific concerns that we want to raise into the future report that we are now working on and simply note the response from the Scottish Executive. Is that agreed?

**Members indicated agreement.**

## “The 2003/04 Audit of the National Galleries of Scotland”

10:08

**The Convener:** We move to agenda item 3. I welcome our witnesses from the National Galleries of Scotland: Sir Timothy Clifford, the director general; Jennifer Welsh, the director of finance and corporate services; and Alan Davidson, the head of finance. This is the first evidence session examining the section 22 report by the Auditor General for Scotland entitled “The 2003/04 Audit of the National Galleries of Scotland”. We will first hear an opening statement from Sir Timothy and, later, we will hear from Michael Ewart, the accountable officer, and David Brew, the head of the cultural policy division of the Scottish Executive Education Department, which sponsors the National Galleries of Scotland.

Today, we will ask questions relating to three main areas. First, why has it been necessary for the National Galleries of Scotland to transfer funds from its purchase grant to support running costs? Secondly, what are the implications of those transfers for the National Galleries of Scotland's acquisitions policy? Thirdly, what action is being taken to address the issue? I invite Sir Timothy to make his opening statement.

**Sir Timothy Clifford (National Galleries of Scotland):** I am delighted to be here. I hope that I can answer your questions in due course and provide you with the assurances that you need to satisfy yourselves that the National Galleries of Scotland—despite its funding difficulties—is doing an excellent and prudent job for the people of Scotland and, indeed, the world.

I will give a brief history of the National Galleries of Scotland. It is an ancient institution, which traces its origins to the Board of Manufactures that was established under the 1707 act of union and under further acts of 1718 and 1726. The foundation stone of the National Gallery of Scotland on the Mound was laid by the Prince Consort in 1850, pursuant to a Treasury minute. The collections were then formed from an amalgamation of works belonging to the Board of Manufactures, the Royal Scottish Academy and the Torrie bequest, which is currently being transferred to the University of Edinburgh.

The National Galleries of Scotland is now constituted under the Museums and Galleries Act 1992, which repeats much of the National Heritage (Scotland) Act 1985. The principal functions of the National Galleries of Scotland as provided by statute are to

“care for, preserve and add to the objects in their collections ... secure that the objects are exhibited to the

public ... secure that the objects are available to persons seeking to inspect them in connection with study or research, and ... generally promote the public's enjoyment and understanding of the Fine Arts both by means of the Board's collections and by such other means as they consider appropriate ... For those purposes the Board may, subject to the provisions of this Act ... provide education, instruction and advice and carry out research”.

No significant statutory changes in those activities have been made, but policy has been extensively widened recently by the Scottish Parliament, with special reference to education, access, diversity, outreach and information and communications technology.

The National Galleries of Scotland has probably the greatest collection of European fine art outside the National Gallery at Trafalgar Square and Tate Britain and Tate Modern. The collections consist of paintings, drawings, watercolours, prints, sculpture and photography. Appropriately, we also boast the most comprehensive collection of Scottish art in the world. There are 69,652 permanent and long-term loan objects in the National Galleries of Scotland's collection, which are broken down as follows: the National Gallery of Scotland has 23,370; the Scottish National Portrait Gallery has 37,308; and the Scottish National Gallery of Modern Art and the Dean Gallery have 8,974.

Those figures do not include an estimated 15,000 bequeathed and uncatalogued photographs and around 60,000 Tassie paste gems. I hope that the committee is not too appalled by those numbers. In the collection are 3,197 paintings, of which usually between 1,000 and 1,500 are on display at any one time.

I ought to explain briefly that the National Galleries of Scotland is not just an institution for displaying works of art; it must serve Scotland very much like the National Archives of Scotland and the National Library of Scotland do. To a certain extent, we look after the sacred flame of learning. Masses of material in the national galleries are there for reference, not necessarily for display.

As many of you know, there have been failed attempts to house independently the Scottish collections, with various venues discussed, including a new build behind the Dean Gallery in Edinburgh, new build in the grounds of Kelvingrove Art Gallery and Museum in Glasgow, the old post office building in George Square and the sheriff court building in Glasgow. Currently, in spite of all the recent new build, the majority of the Scottish collections still languish in store.

Our major achievement in the past six years is the Playfair project, or Weston link, which numbers among the finest international-standard exhibition facilities outside London—in spite of what you might have read in the newspapers today—and cost £31 million. The Weston link involved the



most successful capital fundraising project in Scotland and was delivered eight months ahead of schedule. We also have in Edinburgh the Dean Gallery, which houses the Paolozzi gift, and the Granton arts centre, which is our great storehouse that is available to the public.

10:15

We have also made many major acquisitions. Those include Titian's "Venus Anadyomene"—Venus rising from the waves—which cost £20 million when tax is taken into consideration. In addition, we have acquired Charles Lees's "The Golfers" at a cost of £2.5 million; Sandro Botticelli's "The Virgin Adoring the Sleeping Christ Child", which cost \$23 million; and Joseph Beuys multiples for the Scottish National Gallery of Modern Art at a cost of \$950,000. Those acquisitions have all been made in about the past three years.

The expansion in the activities of the National Galleries of Scotland has aimed to meet public demand by providing the people of Scotland with appropriate settings in which they can view the nation's splendid collections. Over the past 20 years, annual attendance figures have risen from about 475,000 to around 1 million. Last year we had, I think, 1.2 million. Of course, the final figures always depend on the success or otherwise of our major exhibition during the summer. Nowadays, few major monographic exhibitions in Europe and America do not contain items on loan from Edinburgh and the national collections prove an invaluable tool in international diplomacy. Moreover, they provide powerful leverage when we mount major loan exhibitions. However, as we all know from the commercial world, ensuring that we stay in business becomes more complex and more bureaucratic each year. That is why we need a better trained and larger staff to achieve our myriad objectives. Apart from anything else, those who deal with employment law need to be familiar with something like 3,000 pages of new law.

The effective use of resources has at all times been a consideration for the National Galleries of Scotland. With a huge amount of resistance from me and absolutely as a last resort, we used the purchase grant to fund running costs. However, I am proud of my track record of acquiring art for Scotland. Indeed, later this year, we intend to mount a major exhibition that will be devoted to the 21 years during which I as director have, with my board and my staff, acquired works of art for the nation.

In 2000, we alerted the Scottish Executive to our need for additional grant in aid to run the Royal Scottish Academy building and the Weston link, but we did not manage to get new funds earmarked before those new facilities were ready

to open to the public. In our corporate planning exercises as early as 2002, the opening of the new complex in 2004 was seen as our highest priority. An important point is that we considered it most unprofessional to have such a prominent building in Scotland finished and lying empty. The temporary use of our purchase grant to bridge that funding gap was agreed to by my board and the Scottish Executive, but it was all to do with the fact that we opened the new facility eight months before we should have done. As might be imagined, there is a knock-on effect from the opening of the restaurants and the shops, so opening early if that was possible seemed much more essential. However, that is how that problem arose.

I was hugely pleased to be notified of the Scottish Executive's intention to increase the NGS's grant in aid for running costs. I was also delighted to have my purchase grant for works of art reinstated for 2004-05 and, I am told, in perpetuity. That does not mean that the purchase grant, which has remained static for many years, should not be increased with inflation or, more realistically, be made to match the upward trend in prices for works of art. The purchase grant is the main stream of funding that we depend on for acquisitions. Looking back, I think that we might have missed some opportunities in the years that the grant was not available to us, although we managed to acquire some admirable works of art using our trust funds.

Assisted by the Scottish Executive, we are currently working on managing our financial position up to 2006-07. We are in discussion with the Scottish Executive and the Art Galleries of Scotland Foundation. It is hoped that, if we can accept the Scottish National Gallery of Modern Art building and complete a one-off settlement for our lease liabilities, we will no longer have to pay the annual rent of £547,000. That will reduce our running costs accordingly. If that can be achieved, we should break even for a number of years to come, as long as we confine ourselves to the current range and volume of services that we provide.

In the past few years, we have found it difficult to raise money from sponsorship. That has had a knock-on effect on our temporary exhibition costs. Everybody in Scotland and the rest of the United Kingdom has encountered the same problem. You have probably read in the newspapers about the problems that the Royal Academy in London has been having, for example.

We have also found that, with the winding down of the national heritage memorial fund and a severe reduction in Heritage Lottery Fund money, visionary ideas involving new build, new acquisitions and other expansive measures are

having to be put on hold. In our partnership scheme, we should like to work with Camperdown House in Dundee, the proposed new art gallery in Kirkcudbright and the cultural complex that is envisaged in Inverness. Moreover, demands for the digitisation of all our sources will inevitably lead to cuts elsewhere in the organisation.

The National Galleries of Scotland cannot operate entirely independently but must operate in close partnership with the National Museums of Scotland, the National Library of Scotland, New Register House and the many Scottish regional museums. We must ask ourselves whether we are satisfied with the status quo or want to scale greater heights in the world of the visual arts and be more enterprising. Scots could become the most visually literate and articulate people in Europe if their national galleries were generously resourced. Perhaps we should address the idea of having a national gallery in Glasgow. Perhaps we might expand and open galleries in Europe—say, in Brussels. Perhaps we should have the first national gallery in the far east—perhaps in Shanghai.

We are a devolved country in our fifth year of devolution. For goodness' sake, there are great opportunities out there for the National Galleries of Scotland to do things that nobody else has even conceived of doing. In the meantime, we would like to refurbish and open all of the Scottish National Portrait Gallery in Queen Street, Edinburgh.

Whatever we do, we should be working with the enthusiastic support and co-operation of our minister and our sponsor department. When my successor takes over the reins next February, he or she will have plenty to do.

**The Convener:** We have a number of questions for you. However, they will not concern your ambitions for the future; they will deal with the past, as that is the nature of audit committees.

I thank you for your written evidence, which gave the committee a useful update on where the National Galleries of Scotland is in relation to the discussions with the Scottish Executive involving an attempt to ensure that the purchase grant no longer needs to be used to fund running costs.

In your opening remarks, you talked about the pressures that are faced by the National Galleries of Scotland. Apart from the eight-month period that you mentioned, what other pressures were there on the National Galleries of Scotland that meant that you had to rely on the purchase grant funds to meet your running costs?

**Sir Timothy Clifford:** Clearly, that was the most important reason. Basically, we had to staff the Royal Scottish Academy building properly. That involved bringing in an enormous amount of extra

staff. Not only did we need people to run the shops, but we needed people to get involved in the education process in the suite of education rooms that we had. They could not be left empty and dark; we could not have opened the building and said, "One day, these rooms will be used for educational purposes." We had to put in a big education department. That work was heavily funded by Vivien Duffield at the Clore Duffield Foundation.

Furthermore, we had a number of information technology stations in the building and we had to get that system up and running and prepare all the information that could be accessed through the stations. With the new facility, we were also interested in making progress with access issues. We wanted to get the public into the building and to increase participation with the regions. All of that work was costly to the National Galleries of Scotland.

**The Convener:** In Scotland, we are familiar with the additional costs of programmes involving public buildings running late. Are you saying that the pressures that you faced through the project finishing on time or early effectively came from the success of pressing ahead with your programme for the Weston link? Could the earlier expenditures not have been foreseen?

**Sir Timothy Clifford:** They could have been foreseen, but we were not to realise that we would be so far ahead of our timing. We had the awful problem of unsecured pay costs in relation to the extra members of staff. I hope that it is clear from my written evidence that we made it utterly clear to the Scottish Executive what our problem was. We also made it clear to our board. We got permission from both of them. In fact, we were encouraged to move across and use purchase grant. You must realise—this relates to my peroration at the start—that that is the last thing that I would ever want to do, as an art gallery has to have art in it. It is all very well to say that the National Galleries of Scotland has huge collections. Indeed it has, but it also has huge ambitions. Although it has large quantities of Tassie gems, for example, what I am interested in doing is providing the people of Scotland with the very best works of art that they can enjoy. My board and I want to see to it that those works of art are available to every person the length and breadth of our country. I have big ambitions.

**The Convener:** We have no doubt about your ambitions, Sir Timothy. The way in which the purchase grant was being used despite those ambitions was what caught the committee by surprise, and that led us to seek to establish why the grant had been used in such a manner.

George Lyon wishes to ask a supplementary question, but I will make a further point before

inviting him to do that. Some donor pledges have still to be received, as far as we understand. Is there likely to remain a shortfall in that source of revenue that will require bridging finance?

**Sir Timothy Clifford:** No. The shortfall is about £97,000, and I think that that can all be mopped up using the VAT coming back. I think that we have all the money that we require in that regard. When we are involved in such a big fundraising exercise, we cannot deal with more money than what we ask for in the first place.

**George Lyon:** I seek further clarification on the answer that you gave to the convener. You said that the reason for the transfer of the funds was that the work on the Royal Scottish Academy came in eight months early and that there were various costs involved. Does that account for the total of £1.555 million that you transferred across from the purchase grant to support running expenditure in 2002-03 and 2003-04? Can you confirm that there will be no such transfer this year?

**Sir Timothy Clifford:** I can answer the second part of the question straightforwardly: we will certainly not be transferring any money from the purchase grant this year. As far as the past year was concerned, I can confirm that the money—the full sum of £1.555 million, I think—was transferred over a two-year period, covering last year and the year before last. It was not as bad as all that.

**George Lyon:** I was wanting to know whether the work involving the Royal Scottish Academy was solely responsible for that.

**Sir Timothy Clifford:** There were other problems. One has to understand that, over the years, many responsibilities held by the National Galleries of Scotland were handled by the Scottish Executive. In the bad old days, all our publishing was done by Her Majesty's Stationery Office, all our new build was done by the Property Services Agency and all our legal problems were handled by the Scottish Executive's legal department. Now, all those things are handled internally and we now have to pay for every single aspect that we have to deal with. That has led to an increase in staff to handle all those things, and we have frequently had to seek advice from consultants. Moreover, although our pay costs are not completely outwith our control, we have to take them into consideration.

10:30

**George Lyon:** I simply seek some clarity on the apportionment of the £1.555 million. Setting aside why you received the money, I would like to know exactly how much was for the Royal Scottish Academy and how much was for ordinary running expenses.

**Sir Timothy Clifford:** I cannot give you those figures at the moment but, if you do not mind, we will get that breakdown and let you have it. I think that it would be safer to do that.

**Mr Welsh:** If I heard you correctly, you said that these problems occurred because you opened eight months before you should have. Are you really saying that if you had not opened early, these problems would not have happened?

**Sir Timothy Clifford:** Yes.

**Mr Welsh:** Can you explain that? After all, we are talking about fundamental running costs.

**Sir Timothy Clifford:** Presumably, we could have got more money from the Scottish Executive in the following year. Because we were working to a budget, we did not have any more money available that year. I think that if we had staggered things, the moneys would have been available more easily the following year.

**Mr Welsh:** So you used virement to play catch-up.

**Sir Timothy Clifford:** We vired money from the purchase grant.

Mr Welsh, you look as though you are disturbed by that statement.

**Mr Welsh:** I am, but questions on that matter will come up later.

**Robin Harper (Lothians) (Green):** I think that you reflected on this matter in your opening remarks, but the Auditor General's report notes that the amount that the NGS can expect to receive to assist with running costs will increase in each of the next four years to £11.465 million in 2007-08. That would be a 33 per cent increase on 2003-04 levels. Why is that projected increase so considerable?

**Sir Timothy Clifford:** The increase sounds very big if it is taken over a long period. However, I think that I am right in saying that the increase per year is just over 2 per cent. An awful lot has to be taken into consideration, but I think that it comes out at a 25 per cent increase over 13 years. I should also point out that there will be hardly any increase in pay costs. It is a stand-still situation.

**Robin Harper:** I am sorry but, according to my reading of the figures, there will be a 33 per cent increase over the four years from 2003-04 to 2007-08.

**Sir Timothy Clifford:** Well, one should bear in mind that we provided the committee with figures from 1994-95 to 2007-08. Members should also remember that the National Galleries of Scotland has opened an awful lot of facilities over the past few years. For example, the Dean Gallery is now fully operational and the Granton Centre for Art,

which is a large facility, is also available and open to the public. Such projects cost a lot of money.

We are also trying to put on a lot of exhibitions in the regions. In the past year, we have loaned nearly 1,000 paintings. The fact that we are much more active than we used to be has a knock-on effect for our costs.

**Robin Harper:** Has there been an increase in the number of staff or are you projecting any staff increases?

**Sir Timothy Clifford:** There has been an increase in staff. Over the past two years, we have employed 52 extra staff members to look after Playfair.

**Robin Harper:** And you might take on more staff.

**Sir Timothy Clifford:** No, that is it. I hope that we are now tooled up to take care of the future.

**Robin Harper:** I am not clear on this next matter. We had the impression that you would be using the purchase grant to support running costs for another three years. Is that correct or is that now not going to be necessary?

**Sir Timothy Clifford:** Originally, that was intended, but the transfer of the Gallery of Modern Art building to the National Galleries of Scotland means that we do not have to spend the £547,000 a year that we previously spent paying for that. That money has now been put back into our pocket, which allows us to survive.

**Robin Harper:** Are you able to plan for more purchases?

**Sir Timothy Clifford:** We certainly are. I am extremely happy that the committee feels so worried about purchases, because what is so important is the gearing effect of the purchase grant. In spite of the fact that we have £1.2 million coming in, we can show that the gearing effect has frequently resulted in huge sums of money at the other end. If we lose £1.2 million on our purchase grant, it means that we could be forgoing £15 million at the other end. That is one of the unusual situations in which the state spends money that is a really good investment and can be seen as such.

**The Convener:** Those questions were for us to establish why it was necessary for the National Galleries of Scotland to transfer funds from the purchase grant to support running costs. We would now like to consider the implications for the National Galleries of Scotland's acquisitions policy arising from past transfers of funds. You touched on some of those implications and it is hoped that such transfers of funds can be avoided in future. I invite Andrew Welsh to ask questions on that.

**Mr Welsh:** I am interested in the gearing effect of the purchase grant. You are saying that you spend to spend, because you will get other people to give you more money to beef up the amount of money that you have to spend. Does that mean that not spending therefore means saving?

**Sir Timothy Clifford:** That is a complicated question. If I may, I shall try to explain to you how we acquire, or try to acquire, works of art. Sometimes, people do not necessarily understand that, but I think that explaining it might answer your question.

The truth of the matter is that when we are trying to buy a work of art, we will frequently aim for a work of art that is not only an object of supreme quality but something that has been in this country already. If it has been in this country already, that opens up the floodgates as far as the Heritage Lottery Fund and the national heritage memorial fund are concerned. In the old days, it was wonderful, because we could have a bit of both. Nowadays, the memorial fund is pretty well exhausted, so it is mainly the Heritage Lottery Fund.

We also go for objects that have huge tax advantages to us. For example, the "Venus Anadyomene" had a theoretical market value of, I think, £20 million but, with tax moneys forgone, we could buy it at £11 million. On top of that, we could then get a special Scottish Treasury grant towards the acquisition, and we then went to the Heritage Lottery Fund for a large sum of money. The National Galleries of Scotland purchase grant that was spent on acquiring a £20 million picture was actually £1 million, so the gearing effect was 20:1, which ain't bad.

I hope that that explains to you how we tend to acquire works of art. We could never buy works of art on the open market with that fantastic gearing were it not for the tax advantages that we are given and for the existence of the Heritage Lottery Fund.

**Mr Welsh:** Forgive me, but do you sell any of those works of art? It is a one-way traffic. You buy but you do not sell, so the amounts of money that you are quoting are putative amounts, because you will never realise the asset.

**Sir Timothy Clifford:** Quite right. Thank God we never realise the asset, although we realise it in other respects, because it hugely improves the prestige of the National Galleries of Scotland and the prestige of Scotland in general.

The Titian that we acquired was the first picture by probably one of the greatest artists who ever lived in Venice to be bought by Scotland. I believe that that is terribly important, because if you compare us with the National Gallery in London, the National Gallery could hang a gallery the size

of this committee room with pictures by Titian. Are we satisfied in Scotland that we do not have any Titians? Are we so second-rate, so small and so unimportant that our people do not deserve such objects? I disagree; I believe that we, too, should be able to fill a committee room this size with Titians.

I would do all I could—and I am sure my board and staff would do likewise—to try to upgrade the whole time and get major masterpieces, to which the public will come like moths to a light; they will buzz around to see such great works of art. However, it is not only that. When galleries throughout the world have exhibitions of Venetian art of the 16<sup>th</sup> century, they will ask to borrow our picture by Titian. Again, it is about advertising the National Galleries of Scotland worldwide. We do not get money, but we get a lot of prestige, which is terribly important for Scotland. We have to ratchet up Scotland the whole time. People will get involved in inward investment in Scotland and chief executives will want to come and work in Scotland, because they are proud of the galleries. Having all the facilities available in Scotland that are not available elsewhere makes Scotland a better place in which to live.

**Mr Welsh:** Your enthusiasm and your policy are clear. You have just asked what price art. This committee considers finance seriously, but you have given me a rather artistic view of finance. Did you seek approval from the Scottish Executive to vire £1.5 million?

**Sir Timothy Clifford:** Certainly.

**Mr Welsh:** And you received that approval.

**Sir Timothy Clifford:** Yes.

**Mr Welsh:** In your introduction you said that the National Heritage (Scotland) Act 1985's definition of one of the principal functions of the National Galleries of Scotland was to

"care for, preserve and add to the objects in their collections."

Do you agree that that is one of the principal functions of your organisation?

**Sir Timothy Clifford:** I do. In the year that we did not get purchase grant, we still acquired 59 works of art and bought a major picture by Bernardo Strozzi called "The Cook". It is a 17<sup>th</sup> century Genoese picture that fitted neatly into our collections because, in the early years of the 19<sup>th</sup> century, a guy called Andrew Wilson, who was a Scot from Edinburgh, went out to live in Genoa and bought heavily for the Board of Manufactures. We did not have a picture by Strozzi, but we managed to use our trust funds to buy that work of art. We are adding all the time, through receiving gifts and bequests and by cajoling, bamboozling

and charming birds out of trees to add to the galleries' collections.

**Mr Welsh:** You are trying to do that with the committee too—I am all for the gifts and bequests. You have just described various purchases that you made over the past few years, for which you were given a specific purchase grant. In view of the questions that my colleagues are going to ask, I will restrain myself, but will you explain exactly why you failed to use existing available funding for that purpose?

**Sir Timothy Clifford:** We did not have enough money to do all the things we wanted to do. That is why we vired money. You will be thrilled because, towards the end of the year, we will have an exhibition of objects that the National Galleries of Scotland has acquired over the past 20 years. I suspect that no other gallery of our size has bought more interestingly, more variedly and to a higher standard than has the National Galleries of Scotland.

**Mr Welsh:** I face a dilemma. I acknowledge the prestige, but if I wanted to increase my art collection, I would not fund it in that way.

**Sir Timothy Clifford:** You probably would not, but when one is acquiring works of art, life is all about opportunism. You as a group of sound accountants would be appalled by the idea of opportunism, but when we see a gap we go for it and use every opportunity to do so. You might be surprised that in spite of the slightly unconventional methods that the National Galleries of Scotland has used over the years, we have got our man—we have got our works of art. We have not broken any laws—I hope that we have not broken any accountancy laws. We cleared everything that we have done with our board and the Scottish Executive. At the end of it all, we have managed to acquire some wonderful things. An art gallery without art is not worth having.

10:45

**Margaret Jamieson:** I am certainly not an accountant and I do not think that any of my colleagues is qualified in accountancy. We are examining the use of the purchase grant for other running costs. You said that opportunities were available and that you needed to move quickly to purchase something. However, the moneys with which you are charged are public funds. How does that square with your role as the accountable officer, who is ultimately accountable to this Parliament for viring that sum of money?

**Sir Timothy Clifford:** I could not have vired that money without full permission. If I had tried to do that, we would have been unable to recruit 52 extra members of staff and we would have opened

the gallery a year later. The fact is that we obtained the permission.

It must be borne in mind that we in Scotland operate a different system from that south of the border, where purchase grants are no longer used for buying works of art. Everything is put in a general pot and is vired continuously from one pot to another. If we had our discussion south of the border, the situation would not be curious. The issue arises only in Scotland, and I am delighted that the committee has drawn attention to it, because we are in a different situation from that in the south. The collections in the south are so rich and marvellous that if many of the national institutions in London never bought another work of art, they would still be pre-eminent. We are trying to catch up.

When I arrived at the National Galleries of Scotland 20 years ago, my purchase grant was almost exactly the same as it is now. That money does not go far to allow us to catch up. If the committee could do anything to help me, I would be delighted.

I return to the business about being an accountable officer. Of course I could not have acted had I not obtained the full permission of my audit committee and my board and the support of the Scottish Executive.

**Margaret Jamieson:** You said that you did not act on your own and that you acted with your board's approval. Could you supply us with the scheme of delegation that allows the board to vire such money?

**Sir Timothy Clifford:** Do you mean as far as statute is concerned?

**Margaret Jamieson:** I assume that your board has operating standing instructions for its financial regulations and how it complies with them.

**Sir Timothy Clifford:** I am afraid that I cannot answer that question straight away, but I will let the committee know the answer as soon as I can. We will send the answer with the other information.

**Margaret Jamieson:** You do have standing financial instructions.

**Sir Timothy Clifford:** Yes, but I do not think that the standing requirements cover the matter that you asked about.

**Margaret Jamieson:** That is interesting. I look forward to receiving the information.

Did the use of the purchase grant to fund running costs diminish the ability of the NGS to acquire new works?

**Sir Timothy Clifford:** It certainly did. Frequently, we acquire works of art over two

years. With private acquisitions, people are frequently prepared to wait for a purchase until the next financial year. Sometimes, even dealers are extremely happy to hold items for the possibility of purchase.

The situation did not irreparably damage the National Galleries of Scotland, but a graph of our acquisitions in the past 20 years would show a dip as a result of viring the purchase grant. Members should remember that sometimes we can resolve such issues by bequests, for example. If a new bequest suddenly appears, we can use some of that to acquire works of art, which shores up the gap. The situation was not good, but what was our alternative?

**Mr Welsh:** We have dealt with cases in the national health service in which people, after budgeting for a certain number of additional nurses, took out that money, but hired the nurses anyway. Not sticking to budgets and accounting principles led to massive deficits. By not sticking to budgets, were you not precipitate? You are about to get £7.7 million and free up £550,000 each year, but if art will rule and you therefore just buy and do not stick to budgetary principles, that is not a sound financial base for the future. Will the financial relief that you are to get allow you to purchase new works? Surely you should do that when you have the cash rather than when you do not have it.

**Sir Timothy Clifford:** As far as I am aware, sir, we stuck to all our budgetary rules and did nothing untoward. You will put that question to the Scottish Executive Education Department in a moment or two, but you will find that we have broken none of our rules. We did exactly what we are allowed to do.

**Mr Welsh:** I hope that that is the case. We will find out.

**Margaret Jamieson:** If you are of that opinion, why did the Auditor General issue a section 22 report?

**Sir Timothy Clifford:** You could ask the Auditor General that.

**The Convener:** We are not taking evidence from the Auditor General.

**Margaret Jamieson:** That says it all.

**The Convener:** We now want to consider the action that has been taken to address the issue.

**George Lyon:** It is important that Sir Timothy Clifford understands where the committee is coming from. We are fully behind the vision that he outlined and we agree on the need for Scotland to do everything in its power to gather works of art, wherever the opportunity arises. Our key concern is to ensure that every penny that is allocated to

realise that vision is spent in that way, not swallowed up in budgets for running costs that are out of control. We want to ensure that you have good controls and that the running costs of the various establishments are well budgeted for and properly controlled and that they do not gobble up the purchase grant, which should really be used to realise your vision.

In your initial evidence to the Auditor General, you said that, despite the buying out of the lease, which will result in £547,000 per year going into your bottom line, you would still need to use purchase grant to meet running costs. That is in the Auditor General's report. However, in the evidence that you have given us, you have said that that is no longer the case. Will you explain the difference between the situation a few months ago and the situation today? What differences have you made to the organisation's running costs?

**Sir Timothy Clifford:** Originally, we were going to vire a small amount of money in 2006-07—I think that it was £100,000—but we found that if we could acquire the GMA building this year, rather than in the following year, the moneys and the relief would be available earlier. As a result of the earlier acquisition of the GMA building, we will not have to pay for the lease, which means that the money will be available sooner and that therefore we will not have to cut into the purchase grant. Beforehand, we did not know that. It has come two years earlier, if you see what I mean.

**George Lyon:** I understand what you are saying. You informed the Auditor General's team that you expected to need extra finance to be transferred from the purchase grant. Did that original budgeting process take into account the £1.6 million one-off loan, which is now being converted to help running costs in the coming financial year?

**Sir Timothy Clifford:** Yes, it did.

**George Lyon:** So you were able to minimise the transfer of purchase grant because the Executive gave you a £1.6 million one-off payment to help with that.

**Sir Timothy Clifford:** Yes.

**George Lyon:** So, you are confident that, in the two years following 2005-06, the sums of money that are currently being made available by the Executive will be enough to meet the running costs of your various—

**Sir Timothy Clifford:** Yes, they will. It will not be a land flowing with milk and honey, but we will be able to survive year in, year out—assuming, as we do, that the GMA building acquisition goes ahead.

**George Lyon:** Let us move on to the best-value review that was undertaken by consultants on

behalf of the National Galleries of Scotland and the actions that your organisation has taken in response to it, as set out in the written evidence. I wonder whether you can address some of the concerns in the best-value review. One of the key points in the review is the fact that you were unable to show full compliance with the characteristics of a best-value organisation, as defined by the Scottish Executive guidance. Can you explain exactly what that was about and what actions you have taken to address that?

**Sir Timothy Clifford:** I think that you have received a written response to that question.

**George Lyon:** No. I am looking for a full response from you.

**Sir Timothy Clifford:** I am so sorry—you have not. You will get a full response from me.

The NGS has made good progress towards the requirements of best value—in fact, the organisation could be said to be a leader in the non-departmental public bodies group. The work that Deloitte completed for us set the baseline for us to improve against, and we have started to make improvements at a rate that resources permit, especially involving partnership working.

The NGS has a director who is responsible for partnership activities; it has a partnership strategy and ran a partnership forum in September 2004; and it continues to tour exhibitions throughout Scotland. In recent years, the NGS has improved access. Opening hours have been extended and exhibitions and displays have been targeted at a number of under-represented and minority groups. The NGS has also met its Scottish Executive targets in respect of visitor numbers and demographics. All the time, we are improving as a result of the best-value review. We have addressed all the issues that the best-value review raised, and we are doing our best to answer all the aspects that were touched on in the review.

Does that answer your question?

**George Lyon:** I am not sure that that addresses the best-value issue, which is financial and is about whether you are delivering good value for the public pound. The key question is about how you are addressing that. What were the specific criticisms in the report and how have you responded?

**Sir Timothy Clifford:** I will have to read the report pretty thoroughly to find out what those elements were. They were to do with the business of the deficit, as you will remember.

The consultants pointed out a deficit that we told them about. They rehearsed and repeated the deficit situation in the report. They thought that there was probably a deficit of between about £1 million and £1.5 million within the National

Galleries. One way or another, we had managed to resolve that problem over a number of years by getting money back from value added tax and through various other ways of manoeuvring the thing.

**George Lyon:** Was not the cost of security one of the best-value issues?

**Sir Timothy Clifford:** Security is a difficult issue. As you probably realise, we do not insure our works of art. They are covered by Government indemnity. That means that we have to have saturation warding, which is extremely expensive. If one compares our costs with the costs of quite a lot of other museums—including the national museums in London—one will see that our costs are somewhere in the middle of the range. However, high costs are always associated with the Tate, the National Gallery and the National Galleries of Scotland simply because we have such valuable works of art on display. They are not objects in alarmed cases, but objects that are on public display and which could, theoretically, be stolen easily. That is why we have a large number of warding staff in the galleries.

We have undertaken a security review, which could lead to savings of £150,000. It is possible to install closed-circuit television cameras, improve sight-lines and set up tremor alarms—I will not go into the details of the extra electronic security that one can get involved in—to reduce the costs a bit, but such measures would not reduce costs massively. The warding staff who walk around among the works of art are absolutely crucial. The cheapest way to open more galleries and to put major works of art on display—as in the big Monet and Titian shows, in which many millions of pounds' worth of works of art are on display—is to employ warding staff and to cover the shows with Government indemnity.

11:00

**George Lyon:** You touched on the substantial and growing deficit that the best-value review identified. What actions have you taken to address it internally and in discussions with the Scottish Executive Education Department?

**Sir Timothy Clifford:** We have tried to be as efficient as we can be in all kinds of ways. We have made as many cuts as we possibly can within reason. The National Galleries of Scotland is going to be a successful and outgoing institution. It could be said that we should not have taken on any extra staff, but we want the organisation to function properly and effectively. It is rather like having a Rolls-Royce that is kept parked and that has no petrol in it. Whatever is the point of having the resource of a great gallery with wonderful works of art that belong to the people of

Scotland if we treat it like that Rolls-Royce and do not take it out and use it?

**George Lyon:** I understand what you are saying, but I am trying to clarify the steps that you have taken to address the financial deficit and get the institution onto a sound running basis. That is crucial.

**Sir Timothy Clifford:** We have sharpened up on retail and are trying to make more money out of our shops and restaurants. We are trying to cut out as much waste as we possibly can. All those are the standard things that any organisation would do in such circumstances. We have an enormous number of functions in the National Gallery of Scotland for which we charge. We also market images of the national galleries and other publications and all that income is increasing. We are trying all the time to get more money for the galleries.

**George Lyon:** How much extra will be raised because of the changes?

**Sir Timothy Clifford:** Approximately £0.5 million.

**George Lyon:** The changes that you have made will raise £0.5 million.

**Sir Timothy Clifford:** Yes.

**George Lyon:** What was the size of the deficit?

**Sir Timothy Clifford:** It was £1 million.

**George Lyon:** Is the other half to be made up from buying out the lease?

**Sir Timothy Clifford:** That is what we will come back to.

**George Lyon:** One other concern that was raised in the best-value review was the disagreement between some senior staff and trustees on fundamental issues concerning the NGS's configuration, branding, management structure and operational processes. Will you explain what the disagreement was about and how you have resolved it?

**Sir Timothy Clifford:** I do not think that the disagreements were fundamental. The great thing about the National Galleries of Scotland is that it is a rather fascinating organisation. It is so different from the National Gallery in London and from any other museum that I have come across. We are running three almost entirely different organisations—the Scottish National Gallery of Modern Art, the Scottish National Portrait Gallery and the National Gallery of Scotland. Sometimes they cater for different things.

My job is like being a charioteer and I have three horses that are rushing off. I want them to be as active, lively and vigorous as they possibly can be,



and I want them to achieve enormous things. At the same time, I have to have them all pointing in the same direction, otherwise the chariot will be overturned and I will probably be destroyed. Therefore, I have wonderfully lively, intellectually competent and able members of staff who, when we are having discussions, have three completely different ideas about whatever is going on.

For example, say that the Scottish National Portrait Gallery is trying to acquire a portrait; it will probably want a really important image of a famous Scot. I would ask, "Is this a really good picture?" The gallery might say, "No, it's a rotten picture, but it's a terribly important Scot." Different galleries might have slightly different values. Another example is that the Scottish National Gallery of Modern Art might have something extremely cutting edge and avant-garde that is extremely difficult for old-fashioned people like me to understand. We might have arguments about whether the piece is just fashionable or whether it is a really serious work of art. There are constant differences between us all, but they are amiable, if vigorous.

When people come to the national galleries, I hope that they feel that they are going to three different galleries with separate personalities, but at the same time, they know that they are part of the federation that is the National Galleries of Scotland. As a federation, instead of three separate little institutions, the organisation punches above its weight.

**George Lyon:** So is the federal structure working well now? Is everything running in the same direction?

**Sir Timothy Clifford:** Dare I say it, we have been hugely successful in spite of the best-value review, some of which I did not go along with at all. We have always been hugely successful. You probably think that I am being frightfully arrogant in saying that, but we can prove left, right and centre all the different things that we have done over the years. Sometimes it has been a rocky ride. For example, some staff said that they did not want a gallery in Glasgow and some said that they did. However, that is a situation that any institution faces. Ours is not a dictatorship; it is a democratic institution. We hear everybody's ideas. Our attendance figures are up, our acquisitions are up, our galleries are looking good and we have a huge worldwide reputation, so I felt that the best-value review reflected badly, although not necessarily on us.

**George Lyon:** I have one final point. The best-value review mentioned the need to demonstrate clear succession planning in respect of the senior management of the organisation. Has that been resolved?

**Sir Timothy Clifford:** First, as far as my succession is concerned, I have three extremely able directors underneath me, all of whom have been directing the three galleries that I have talked about for the best part of 20 years. They have been there a long time and have frequently had to cover for each other and for me when we have been abroad and so on, so there is an immediate succession. There are other extremely distinguished people who are not necessarily art people but who are on the management team and are very able. However, the issue is not the concern of the outgoing director; it is the concern of the chairman and his board. The chairman has the situation completely under control and is dealing with it in association with our sponsor department.

**Mrs Mary Mulligan (Linlithgow) (Lab):** I begin with a fairly simple question. Has the NGS benchmarked its costs against those of other national galleries? I think that you started to refer to that. If it has, where would you position the NGS?

**Sir Timothy Clifford:** We have a pretty thorough benchmark, which we can let you know about straight away, but we are right in the middle. The Victoria and Albert Museum has big costs. I think that the highest costs of any national museum in the United Kingdom are those of the National Maritime Museum at Greenwich. We fit neatly and snugly at about the centre point.

Do remember that in many areas the National Galleries of Scotland operates with a very small number of staff, compared with the staff of the equivalent organisations in London. I remember that when my head of buildings at the National Galleries of Scotland worked for me he had about four people working underneath him, and he had to look after the National Gallery of Scotland, the Scottish National Portrait Gallery, the Scottish National Gallery of Modern Art, the on-going ideas as far as Granton was concerned, and relationships with Duff House and Paxton House. We were very active. He went down to London, where no building at all was going on at Trafalgar Square, and he had a staff of more than 30. That gives you some idea of the situation.

We probably have six people working in our development department. Something like 28 people work in the same department at Tate Modern. We are tiny compared with our opposite numbers in London, which makes me sad. I would like us to be better staffed.

**Mrs Mulligan:** When you went through the best-value process, did you learn anything to improve your position?

**Sir Timothy Clifford:** Of course I did. All the time I was listening. In some ways, it is extremely

humbling when one goes through such processes. One learns things that one has never thought of before. It was a very interesting exercise all round. As a result of it, a host of actions have been taken. We have actioned almost every point that was put forward in the best-value review.

**Mrs Mulligan:** I want to come on to an issue that George Lyon raised, which is security. In your written submission, you say:

"The only aspect of NGS current operations which seemed expensive when compared to other similar organisations was security".

In answer to George Lyon—and you might want to confirm this—you said that you expected to make savings in the region of £115,000.

**Sir Timothy Clifford:** I said £150,000.

**Mrs Mulligan:** I am sorry.

You said that you will have to install additional high-tech equipment such as cameras and so on. Is that obvious capital expense covered in your budget? You also spoke forcefully about the important role that staff play in the security process. Are they fully signed up to your proposals for making those savings?

**Sir Timothy Clifford:** I think that they are.

I would hate members to think that we do not have sophisticated security devices; however, the trouble is that every year they get better and better. For example, in the old days, closed-circuit television images used to be in black and white; now they are in colour. We also need very high-definition images, because we have to identify what is going on in a location. That is expensive.

We have made our warding staff aware of what we are trying to do. It is not a question of sacking anyone; we will slim down gradually through natural wastage. It will not happen immediately.

**Mrs Mulligan:** Does your present budget cover the installation of new equipment?

**Sir Timothy Clifford:** Yes, it does.

**Mrs Mulligan:** I appreciate that you have to keep reviewing the situation, because it is likely that, as soon as you find new surveillance equipment, other people are finding ways of getting round it. Will you build that into any future proposals?

**Sir Timothy Clifford:** We will have to do so. Committee members might know that, only two months ago, the Victoria and Albert Museum experienced multiple burglaries—two in one week and one the following week. When one thinks about these matters, one always draws back from them slightly. It is extremely dangerous to be purely dependent on equipment, and one really

has to maintain a pretty high level of warding surveillance.

**Mrs Mulligan:** You mentioned sharing works of art with other galleries. Are you responsible for paying for security on such transfers?

**Sir Timothy Clifford:** No. When works of art travel to other centres in Scotland, we are responsible for our vans and so on. However, once the picture is hanging in the institution to which we have lent it, it is probably covered by Government indemnity, and the borrowing institution would be responsible for heating, lighting and security costs. We do not have the money to look after that side of things. Moreover, we have to be satisfied that those aspects are of a very high standard, otherwise we cannot give a Government indemnity.

**Mrs Mulligan:** You have said that the purchase of the Scottish National Gallery of Modern Art will allow you to save £547,000 within your revenue charges. Is that correct?

**Sir Timothy Clifford:** Yes.

**Mrs Mulligan:** I know that you have said that the Executive will pay for that, but how will the purchase be made?

**Sir Timothy Clifford:** The issue is very complicated. For a start, I should point out that it is a costly gift rather than a purchase. Although the building originally belonged to the Crown Estate, it was acquired by the Art Galleries of Scotland Foundation, which consists of a number of people, including me. The aim of the manoeuvre is to stop having to pay rental for the building and to start acquiring it through mortgage. The rental was increasing at a terrifying rate, but acquiring the building will enable us to stop that happening. With the Scottish Executive now acquiring the building, we will have no more costs of repaying a mortgage or a lease. The manoeuvre has been complicated, but we are now in the wonderful situation of being able to bring a major building, with a wonderful estate, into the estate of the National Galleries of Scotland.

11:15

**Mrs Mulligan:** You have said that the procedure is complicated and earlier you said that the saving will depend on the procedure going ahead on time. What problems can you foresee?

**Sir Timothy Clifford:** We must be careful, because it is a gift. You will be talking to people from my sponsor department in a moment and they will be able to answer your question more eloquently than I can.

**Mrs Mulligan:** Do you feel that what is happening offers value for money? Is it the correct thing to do?

**Sir Timothy Clifford:** It is hugely good value for money. Apart from anything else, once we have the freehold of the building, we will be able to expand. I am sure that the National Galleries of Scotland and the GMA will one day want to expand there. The return on the investment is 15 per cent over 25 years, so it makes good sense in every way.

**Mrs Mulligan:** I am not an accountant either, but we will ask further questions on whether 15 per cent is right.

**Susan Deacon:** Sir Timothy, I have listened carefully to the answers that you have given to my colleagues, in particular to the answers on efficiency and best value. You have said that you have tried to be as efficient as possible and you have given us various examples of that. However, I am sure that the Scottish Executive will always look for more. In the context of the targets for the Executive's current efficient government initiative, what has been asked of the National Galleries of Scotland?

**Sir Timothy Clifford:** I am being told by everybody that I know our targets already. Like everybody else, we are being asked for £200,000 of savings through efficient government. Of course, we will find that £200,000—God alone knows how, but we will certainly come up with our £200,000 one way or another.

We are more and more interested in working in partnership. If savings can be made by sharing the use of transport fleets with other national institutions or sharing resources with conservation departments, we will make those savings. We are looking into every possible opportunity to save money. However, I do not want you to think that because the galleries of Scotland appear lavish on the outside, they are lavish on the inside. If you consider staff pay and everything else that we do, you will see that we are very careful. I think that the right word is canny—we are a very canny institution. However, just like the front of house of any theatre, we hope to look lavish.

**Susan Deacon:** The question remains of how specific targets can be achieved. You say that God alone knows how you will achieve your £200,000 but that you will achieve it. God may well know, but we need you to tell us how it will be done. You have identified a number of areas, but could you put some flesh on the bones? Who is looking for savings, how are you doing it and when do you expect to reach conclusions? When does the Scottish Executive expect answers?

**Sir Timothy Clifford:** We have a planning round at which we discuss the budget with all our

senior staff and management team. We consider every area for costs that can be trimmed. For example, we might have decided to replace some concrete steps with stone, but then decide not to do it that year. Outside the National Gallery at the moment, there is a particularly vile drive in concrete, which I would love to drill up and return to gravel, but we will probably not do that this year. There are various little maintenance jobs that one would love to do this year but which we will probably not be able to do. We will have to cut back on various bits and pieces.

We will not take £200,000 out of one budget; we will take £10,000 out of one budget, £20,000 out of another one, £50,000 out of another and so on. One way or another, the money will be found.

Obviously, one can take actions such as ensuring that the paper that one uses is recycled, that the lights are never left on and all kinds of little tricks, but they do not make a great difference in an organisation such as ours. They will not help us to find £200,000, but it is useful if people constantly think about such factors.

We are actively considering shared services with our national institutions, which is one of the most important areas that we can do work on.

Also, instead of spending all our time saving money, we should perhaps make some money. An institution such as ours should be able to go out there and find money. Our shops and restaurants have to be more effective. If we can ensure that they are, the money that is left over can be used for other things. I hate the idea of an institution that looks inwards all the time; we must be an outward-looking institution that can achieve great things for Scotland.

**Susan Deacon:** None of us would dispute that philosophy, but there are real issues around not only meeting specific efficiency targets but assuring us that good management practice that delivers efficiency and effectiveness is being achieved.

You have talked about savings and cuts. The intention of Government work in this area is not to reduce output but to find better and more efficient ways of delivering a range of outputs. Your responses leave me still struggling to understand how such improvements will be achieved.

The best-value review identified a range of areas, including improvements in corporate working and in the decision-making processes of the National Galleries of Scotland. The primary intention of such improvements is not to increase efficiencies, but I would assume that if they are delivered well, an increase in efficiencies will be one of their by-products. Will you tell us a little more about how you are taking forward improvements in culture and practice that are not

about cuts and savings—the fact that you cannot tear up the concrete drive or whatever—but which will deliver efficiency in a literal sense?

**Sir Timothy Clifford:** If I may say so, you are coming at this in the way that many people would come at an institution such as ours. By that I mean that you start off by saying, “This institution has plenty of fat on it that could be cut back.” However, how can any institution that has been identifying a shortfall of more than £1 million a year have fat on it that can be cut by efficiency improvements? It cannot. We are in a desperate situation and are thrilled that the United States cavalry has come around the corner in the form of the £547,000 that has appeared from somewhere or other and has resolved our current situation.

Unless the institution or aspects of it are closed down, the £200,000 will not be found. However, the money can be found by delaying certain things, sharing certain things with partners and buying things centrally at a cheaper price. All those sorts of things are vital to the institution. I have moved the galleries more and more in the direction of being more commercial. For example, the Dean Gallery and the Scottish National Gallery of Modern Art both have car parks. We are seriously considering the idea of turning those car parks, which are currently free, into paying car parks. If the car parks worked on the same basis as an NCP car park and used a card-in-the-slot system, we could make money.

An equal and opposite problem is that if one does that, one denies oneself some of the public who come to the institutions. There are ways to deal with the situation. Let us remember that we raise funds: we have a patrons organisation and a friends organisation that produce money for us. Sometimes the moneys for what might be described as central services can be found through the patrons or the friends organisations, which frees up moneys that can then be cut in other ways.

We spend much of our time examining how other institutions try to save moneys and we can copy them if they have brilliant ideas. However, at the moment, we are working with the other national institutions in Scotland to see what savings can be made among us as a group. That is important.

We are improving our training programme, we have better communications and we are improving our workings in general.

**George Lyon:** I have a final question about efficiency and running costs. You explained at length some of the moves that you are considering in relation to the £200,000 saving that you have been asked to make. We should remember that that saving is against a background of a £4 million

increase in running costs because of a 33 per cent uplift from the Executive between now and 2007-08. Will you explain how much of that uplift is to meet the deficit that you have identified in your current budget and how much of it is to meet the running costs of the Royal Scottish Academy, which you purchased?

**Sir Timothy Clifford:** I cannot answer that, but I will find out and tell you exactly how the figure is broken down. Do remember, however, that 52 extra members of staff are being paid for out of that £4 million.

**George Lyon:** But £4 million is a fairly hefty wage bill.

**Sir Timothy Clifford:** Yes, but it is not £4 million in one fell swoop—the allocation is staggered over a number of years. Do remember that National Galleries of Scotland is a big organisation: there are more than 300 members of staff and we are running in many different locations. The running costs are only £12 million a year. If one compares us with many museums and galleries—with Glasgow, for example—one would see that the sums of money spent on the National Galleries of Scotland are very small.

**George Lyon:** I do not dispute that; I am just trying to elicit from you where that extra £4 million will be spent. What are the allocations?

**Sir Timothy Clifford:** A lot of money is spent on ICT, on education and on providing the services that the Scottish Parliament wants us to provide.

**George Lyon:** It would be useful if you would clarify that under some headings so that we understand where all the extra money will be spent.

**Sir Timothy Clifford:** We can easily break down the costs for you.

**The Convener:** I have one supplementary question. You talked about being asked to find £200,000 in efficiency savings. Does that mean that the projected costs over the next three years would require £200,000 more funding were you not to find those savings? Could the budgets that we have looked at have been larger were you not trying to find £200,000 of savings?

**Sir Timothy Clifford:** I agree. I hope that as a result of this session, you will go away and think to yourselves that the National Galleries of Scotland can get by and that we will get by. We are not in the same situation as some other institutions in Scotland in that we are a healthy institution, we have our tail up, we know where we are going, we are totally confident in the future and we are excited by all the different challenges that are being thrown at us at the moment. However, our success depends so much on the support of our sponsor department.

**The Convener:** Sir Timothy, I thank you very much for your evidence and thank your colleagues for the support that they have given you today. Typically, your evidence has been as colourful and as bright as your Titians; we would not expect it to be any other way.

We will have a comfort break before we take evidence from representatives of the Scottish Executive Education Department.

11:30

*Meeting suspended.*

11:42

*On resuming—*

**The Convener:** We now commence the second part of our evidence gathering on the National Galleries of Scotland. I am pleased to welcome Mike Ewart, head of the Scottish Executive Education Department, and David Brew, head of the cultural policy division of the Scottish Executive Education Department. I do not know whether the witnesses want to make an opening statement, but they are welcome to do so. We will then ask questions, which will focus on the areas on which we have questioned Sir Timothy Clifford.

I say to members that, thanks to their keen pursuit of supplementary questions, we are a little bit behind schedule, but I am sure that we will be able to make that up in the private session later on.

**Mr Michael Ewart (Scottish Executive Education Department):** Thank you, convener. I will not take up further time with an opening statement other than to apologise for what will necessarily seem to members like having your soup after your pudding, given that you are hearing from a civil servant after hearing from Sir Timothy Clifford.

**The Convener:** I think that we take your point; I cannot put it any other way.

We will move straight to questions.

**Robin Harper:** Why has the Executive agreed to provide an increased amount of funding in future years to assist the National Galleries of Scotland with running costs?

**Mr Ewart:** As Sir Timothy Clifford set out this morning, the picture is that the National Galleries of Scotland made representations to the Education Department that, with the opening of the Weston link and the RSA building, there were likely to be significant additional costs that it would have to bear. Arguably, the additional costs were within the margins of risk that might be associated with a project of that size. Nevertheless, the increases

that were necessary in the organisation's running costs around the project were significant.

In two previous spending reviews, the department made increases in the running-costs grants available to the National Galleries of Scotland for a variety of purposes, including increasing access, increasing educational work and the modernisation of pay structures.

It was important that we did not simply accede to a particular figure, whether or not it was an inherently reasonable one. The process of the best-value review had to be gone through to establish whether significant efficiencies could be made within the existing operations of the National Galleries of Scotland. That process has been gone through in the spending review that has now been concluded and ministers have come to the view that they can support a significant increase to maintain operations at the current level.

11:45

**Robin Harper:** So, to be clear, are the two discussions quite separate? Are the discussions about efficiencies based on one set of arguments and the projections for increased costs based on another?

**Mr Ewart:** Looking forward, the projections for increased costs are necessarily uncertain. It was important that we continued to discuss the likely outcomes with the National Galleries of Scotland. The process of doing that and of going through the best-value review took time. During that time, as the committee knows, the purchase grant was used to subvent the running costs.

**Robin Harper:** In that case, I invite you to make a judgment. Do you believe that the amount of funding that the department is providing to the National Galleries of Scotland is sufficient to allow it to meet its objectives?

**Mr Ewart:** It is certainly sufficient. I think that that is agreed by us and the National Galleries of Scotland; it is not at all a matter of dispute. The funding is sufficient for the National Galleries of Scotland's current operations. Sir Timothy laid out some imaginative and exciting opportunities that he can see for the future. Clearly, they need to be discussed further. We could not cover expansion into China on the basis of the existing money.

**Robin Harper:** Indeed. Would it be fair to say that the increased costs are in part due to the need for the National Galleries of Scotland to meet Government objectives on information technology, education, outreach and so on?

**Mr Ewart:** Yes.

**Robin Harper:** Could you explain how the Executive monitors the use of the funding that it

provides to the National Galleries of Scotland? For example, do you attend meetings of the organisation's board or its audit committee?

**Mr Ewart:** Although, in principle, we could attend meetings of the board as observers, in practice we do not. That is part of our general policy. Having been through the process with the Scottish Qualifications Authority, I am tempted not to use the term "arm's length" to describe the principle, but the term remains in the writings about our relations with non-departmental public bodies. We maintain a degree of distance from the organisation. That said, we receive its board papers and meet frequently with the management team and senior trustees.

**Robin Harper:** So you have informal meetings with board members and study the papers.

**Mr Ewart:** We have formal and informal meetings with members of the management team, in addition to which we receive full sets of papers.

**Mrs Mulligan:** Is that sufficient in terms of monitoring or are there other things that you would like to do that you feel would be helpful, particularly given the financial challenges that the NGS has just faced?

**Mr Ewart:** I am reasonably comfortable with the information that we receive and the relationships that we have with the finance director and others in the management team, which are sufficient to allow us to receive the right kind of information and have the right kind of relationship with the organisation.

**Mrs Mulligan:** You were present earlier, so you would have heard me ask Sir Timothy Clifford about the purchase of the Scottish National Gallery of Modern Art. Will you say a little about how you envisage that progressing and how it will be financed? Further, can you answer the question that Sir Timothy was unable to answer: what difficulties might be encountered in seeing the process through, particularly the timing issue?

**Mr Ewart:** Technically, we are not speaking about a purchase but about the buying out of an obligation. There are reasons for not speaking of it formally as a purchase—I put that on the record and move on, because I am not an accountant.

**Mrs Mulligan:** Do you mean that you do not have a capital sum to purchase the gallery and that it is a budgeting arrangement?

**Mr Ewart:** A capital sum will be involved. The timing issue concerns the availability of that capital funding in the tourism, culture and sport portfolio. The plan was to have that money available in the financial year 2006-07, but we are currently considering bringing the expenditure forward into this financial year, or the beginning of the next one, to achieve two years earlier than we would

otherwise do the running-cost savings that Sir Timothy outlined.

**Mrs Mulligan:** Will that be possible?

**Mr Ewart:** I would be better placed to answer that question with complete assurance if you were to ask me it this afternoon, as I have a meeting then at which the proposal will be discussed further. However, I am hopeful.

**Mrs Mulligan:** Will you write to the committee after your meeting this afternoon and tell us what the outcome is?

**Mr Ewart:** I can certainly let the committee know when I know definitely myself.

**David Brew (Scottish Executive Education Department):** The capital sum will, in effect, be used to discharge the mortgage on the property. The property will be transferred to the National Galleries of Scotland, which will apply the capital sum that we are making available to discharge the mortgage.

**Mrs Mulligan:** Is the only problem that you foresee with that plan the availability of the finances? Is there nothing else in the process that might cause a problem?

**David Brew:** As far as we are aware, there is nothing in the process that would present difficulties. Some accounting choreography is required to process the transfer of the property and the associated conveyancing, but those matters can be dealt with without difficulty as far as we are aware.

**George Lyon:** I seek clarification. The funding increase through to 2007-08 is about 33 per cent, which is substantial in anyone's terms. I asked Sir Timothy to apportion the increase in relation to whether it is to fulfil Scottish Executive objectives, meet the RSA's extra costs or fund the deficit in running costs, but he could not tell us. Given that you signed off the agreement on how much extra funding the National Galleries of Scotland is to get, can you tell us?

**Mr Ewart:** In each of the past three spending review periods, the grant available to the National Galleries of Scotland has increased, and we could certainly give you the detail of those increases. We could readily identify from the correspondence what the purposes of those increases were, but I will run through them quickly. In the first round, the increase was for improvements in education, access, outreach and ICT; in the second round, the increase was essentially about pay modernisation; and in the third round, it has been about meeting the additional costs that have arisen as a result of the Playfair project and the extension of the National Galleries of Scotland's activities as described by Sir Timothy.

**George Lyon:** It would be useful to find out how that sum of nearly £4 million is allocated to each heading.

**Mr Ewart:** We can provide that information in a document, if you would like.

**George Lyon:** Yes—that would be useful.

**The Convener:** While we are on the subject of the transfer of funds, and following on from the question of how the governance of the National Galleries of Scotland is monitored, are you satisfied that the current level of monitoring will give you enough early warning and information to tell you either that there would need to be a deficit, with the purchase grant not being used, or that you would have to sanction the National Galleries of Scotland using its purchase grant? How early was the information available to you?

**Mr Ewart:** I am confident that the level of financial monitoring was sufficient to give us the information that we needed to understand the National Galleries of Scotland's need for additional resource, judging from how it viewed the likely projections. We required additional information not so much at the level of financial monitoring but at the level of assessing the overall expenditure of the National Galleries of Scotland and the effectiveness and efficiency of that expenditure, which was part and parcel of the additional work that we shared with the organisation under Deloitte's best-value review.

There was sufficient warning for us to see that an issue was arising and there was sufficient time for us to make an assessment as to the measures that we would need to take to assess precisely how additional costs, if any arose, could best be met in the long term. The use of the purchase grant was a short-term expedient to be used until those questions had been resolved.

**Mr Welsh:** I have a general point. In budgeting, there is a classic clash between spending departments and saving departments. How does an accountable officer cope with the artistic aspirations of people who—rightly—care only for art, rather than for the art of budgeting?

**Mr Ewart:** You are perhaps asking me to describe the dynamics of your evidence session with Tim Clifford. There is a healthy and creative tension between the dour bureaucrat, who is simply worried about maintaining the proprieties and miserliness of the public purse, and the ambitions of somebody who sees great things and great opportunities. From those diametrically opposed positions, we have already arrived at somewhere quite good, and I suspect that we can go further.

**Mr Welsh:** Those two positions are in-built and will probably continue. The artists will want art for

art's sake and the budgeters will have to ask whether it is affordable.

**Mr Ewart:** Absolutely.

**Mr Welsh:** Are you satisfied that you can catch those things early enough, that there is sufficient co-operation and that there will be agreement on the steps forward before any irreversible decisions are taken?

**Mr Ewart:** I think we can be reasonably sure that irreversible decisions will not be taken. Government retains the ultimate accountability for saying yes or no to a project proceeding. We also have extremely good relations with Tim Clifford and the members of his management team, who include people who are concerned about the budgets as well as those who are more concerned about the art.

**Mr Welsh:** In this case, there was agreement about the use of the funds.

**Mr Ewart:** There was agreement about the use of the purchase grant. There is provision in the financial memorandum that governs our relationship with the National Galleries of Scotland for the virement of the purchase grant into running costs, with the agreement of the sponsor department. That was the route that was followed on this occasion.

**Mr Welsh:** Does the Executive consider the acquisition of new works to be one of the NGS's key strategic priorities? If that so, why did you agree to vire the purchase funds into running costs, thus breaching the principles of the National Heritage (Scotland) Act 1985 in many ways?

12:00

**Mr Ewart:** The acquisition of new works is one of the objectives of the National Galleries of Scotland; the other objectives are to do with displaying works and making them accessible, as is clear from the 1985 act. In blunt terms, we faced a choice between not opening a display area—a new gallery—and forgoing a large proportion of the purchase grant for a period of time. On balance, it still seems to me that we made a sensible, prudent and principled choice.

**Mr Welsh:** If you switch funds in that way, you cannot make new purchases. It is not cheap to buy a Titian: purchases are by definition significant and involve large sums of money. The problem will continue.

**Mr Ewart:** The issue of the purchase grant is resolved for the future. As running costs come into balance there should be no need for the purchase grant to be used to subvent running costs. There was certainly an opportunity cost of using the purchase grant in that way for a couple of years,

but despite that, as Tim Clifford made clear in his evidence, there was very substantial acquisition during that period.

**Margaret Jamieson:** Would the Scottish Executive consider ring fencing the purchase fund to ensure that the money is used specifically for purchasing in future?

**Mr Ewart:** In practice, we have done that, although not through a device for ring fencing. We are looking again at the purpose of the purchase grant and the current accounting conventions and we are determined that the purchase grant should be categorised as capital, so that in future it will not be possible to vire from that element of the grant into running costs.

**Margaret Jamieson:** Why did you not take that view in the past?

**Mr Ewart:** It was a matter of accounting convention. How we regarded the grant in the past and how we regard it now depended on changing categorisations and on the view that our advisers took.

**Margaret Jamieson:** Would your view have changed if the section 22 report had not been produced?

**Mr Ewart:** I am not entirely sure about the history—David Brew might comment on that. I think that we would have taken that view in any case.

**David Brew:** We could speculate on the view that we might have taken if there had been no section 22 report, but I do not know the answer to that. The issues were considered more widely in the context of the Executive's spending plans and the reclassification of a revenue element as capital was part of the Executive's overall budgeting arrangements.

**The Convener:** The Education Department deals with other cultural institutions, such as libraries, which I assume have their own budget headings for purchasing. Will the convention that you describe spread across such institutions, or is the approach limited to the National Galleries of Scotland?

**David Brew:** It obviously depends on the nature of the purchase. For example, the John Murray archive at the National Library of Scotland is a capital purchase in exactly the same way. As far as investments in assets—if we can put it that way—are concerned, the general approach is to classify such acquisitions as capital.

**Mr Welsh:** You said in response to Margaret Jamieson that such acquisitions are now classed as capital and the situation that arose in the past because of accounting conventions could not

happen again. To which accounting conventions were you referring?

**David Brew:** In the past the grant was a revenue grant. Revenue is able to be applied to capital; the convention is that we should not switch capital into revenue. The National Galleries of Scotland has had a revenue budget, part of which has been able to be applied to capital purchases.

**Mr Welsh:** I was just checking. Thank you.

**Robin Harper:** Sir Tim Clifford said that south of the border virement between budgets is common practice. Does that mean that we in Scotland will move to a system in which it will be difficult to vire between budgets, or will that apply only in the situation that we are talking about?

**Mr Ewart:** This morning Sir Timothy described the situation whereby the English institutions do not have a separate purchase grant of any kind; they simply have an undifferentiated revenue support grant and it is up to them how they use it. We have stuck with the separation of the two elements of general revenue support and the purchase grant so, to that extent, we have gone further as, given the definition of the acquisition of items through the support grant as capital acquisitions, the element of virement that was available in the past is no longer available.

**Robin Harper:** Do you think that that will cause problems?

**Mr Ewart:** At current levels of operation and, assuming that we are successful with the arrangements to complete the acquisition of the Scottish National Gallery of Modern Art, we and the National Galleries of Scotland agree that the running costs are in balance. There are always ambitions, but they need to be treated on their own merits and considered in their own light.

**The Convener:** We move to closing questions. A lot of points have been covered, so I do not need to ask for clarification of all the points that I was unclear about. On increasing the revenue support for the National Galleries of Scotland, have new conditions or expectations been placed on the organisation as part of the agreement to increase funding?

**Mr Ewart:** Each element of the increases in the past three spending reviews served specific purposes. To that extent, expectations are signalled clearly in the correspondence with the National Galleries of Scotland. We have not introduced conditions around specific elements of financial management or elements of individual costs in the galleries. The best-value review provides the action plan that Sir Timothy's written evidence described to take forward improvements in those general areas. Specific conditions are set



out, but they are around, as you put it, expectations about what the money will buy.

**The Convener:** There are no further questions. It would seem that we are satisfied for the moment. You have agreed to give us information in writing on outstanding issues. It would be useful if you could forward that to the clerks. I thank you and David Brew for giving evidence this morning.

We now move on to items 4, 5 and 6, which we agreed to consider in private.

12:09

*Meeting continued in private until 12:52.*



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