

expenditure and of the ability to change how policing is delivered, but there is not yet enough detail about them for us to be certain that the numbers are robust.

Stephen Boyle: Angela Constance asked specifically about the assumptions. The key assumption in the financial plan is a 2 per cent increase in funding annually, which feels broadly right for the organisation. It has tested that internally through the work of its finance committee and the board. Having seen them in operation, I can say that the assumption was sufficiently tested in governance terms.

As the Auditor General said, the key to the durability of the financial plan will be in the extent of the transformation that the SPA is able to achieve. In addition to that, the SPA will keep it under regular review—at least six monthly—and there will be on-going annual reviews. Given, in particular, the uncertainty that exists around future public funds for the SPA, we think that that is appropriate.

Angela Constance: You say in your report that the financial strategy is underpinned by a number of programmes of change, for example on ICT, estates and workforce, and you describe them as “complex”. Will you give us an insight into how complex they are? Is it just that there are a lot of interrelated programmes of change and it is about their volume more than their complexity? How does the complexity compare with what happens in other parts of the public sector where there are many programmes of change? Setting up a new social security agency and getting the right payments to the right folk at the right time is complex, for example.

What learning from elsewhere will Police Scotland rest on, given that things to do with workforce, estates and IT represent, in many ways, a well-trodden path? There is a great and very insightful report from the Institute for Government on the history of universal credit. It is valuable reading for anybody who is interested in managing programmes of change well. In the Scottish Government context, there are well-trodden paths around NHS 24, the common agricultural policy futures programme and so on. How complex are the programmes of change, and where will the service learn from in order that it does not repeat the perhaps less than optimal experiences that have been had elsewhere in the public sector?

Caroline Gardner: That is a really good question. It is not one that has a short or easy answer, but I will do my best. Colleagues might want to chip in.

Two things make the programme particularly complex. First, it is trying to bring the eight

predecessor forces that existed just over five years ago together in one service for the whole of Scotland. For a period before the merger and the establishment of Police Scotland, there were very different ways of working, different levels of investment, different strengths in different parts of the country, and some areas that were not as good as they could be. Bringing them all together to create a strong professionally led service was always going to be a challenge.

Looking beyond that, the underlying concept behind the policing 2026 strategy is that what we all expect of policing in the 21st century is different from what we needed in the 20th century. We have much more cybercrime, for example. People tend not to rob banks with shotguns any more; they rob bank accounts through computers and digital financial transactions, so tackling that requires different skills and a different way of policing. We have also had a big surge in historical sexual abuse crimes and there are now different expectations around harassment of different groups.

All those are changing what we expect of policing, and the changes need to happen against a backdrop of tight finances and Government policy that has, in the past, focused clearly on the number of police officers rather than on what policing as a whole can do. The policy, I think, is seen as being the right way forward, but bringing it all together with a budget of £1 billion a year—with much more investment needed to get us to where we need to be—was never going to be easy.

Angela Constance mentioned Social Security Scotland. We have reported on it and found that the programme is being managed very well in terms of clarity about what is being achieved, good risk management and good engagement with partners. There is still a way to go, but it has been a good start.

The work that we have done on digital has identified some clear principles, and so far I am encouraged that the approach to the new strategy in Police Scotland takes account of those principles. Learning is going on, but that does not make it easy to make change happen on such a scale, which will always be difficult.

Stephen, do you want to add anything?

Stephen Boyle: The complexity has increased because of the clear interconnections between the estates and workforce strategies, and how the requirements may or may not change with whatever technology changes are introduced through digital, data and ICT in respect of the types of staff that are required—which the Auditor General mentioned—and where services will be provided. All that increases the scale and complexity of the challenge.

On learning and access to other advice, we know that Police Scotland and the SPA are in close contact with the Scottish Government and the office of the chief information officer, to test the development of the strategy. We think that that is an important part of their considerations.

Angela Constance: Are you confident that all the risks have been identified, given that sometimes it is what we do not know that is the problem?

Stephen Boyle: I do not think that I can give you a categorical assurance that all the risks are known. What is very important is that the situation is closely monitored and kept under review, by both Police Scotland and the SPA and through the assurance arrangements that they have in place.

The Deputy Convener: Before I move on to workforce planning, I want to take the panel back to Willie Coffey's line of questioning on the ICT strategy. In your report, you talk about a lack of clarity. What do you mean when you say that there is a

"risk to the future financial sustainability of the Scottish Police Authority"

if the ICT strategy is not fully funded?

Caroline Gardner: The delivery of the policing 2026 approach is clearly stated to depend on investment to change the IT underpinnings of Police Scotland—that is, the way in which police officers and staff are able to use IT to carry out their jobs from day to day. An example would be police officers who are attending an incident being able to record the details at the incident without having to go back to a police station to do so, the people in custody suites being able to refer to that information, and the process working all the way through the criminal justice system. If the vision is to be delivered, other linkages across the piece will be necessary. Those relate to the quality of policing that we all experience and the number of police officers and staff who will be required in order to do it.

There has been progress, in that there is now a much clearer digital data and IT strategy. However, it is not yet clear where the estimated £298 million will come from. We understand that the cabinet secretary is due to address future funding as part of the Scottish budget proposals that will be set out next week. However, if the investment that is required to deliver the IT strategy is not available, all the planning about the vision and how it might be delivered will have to be revisited. That means that the costs that are currently being incurred would continue on their current trajectory, which would produce the graph in our exhibit 2, which illustrates the service going back into deficit after 2021.

The Deputy Convener: I presume that the risk is that the SPA would take great steps to clear a significant deficit, but then, as part of the programme, would incur it again, almost as a result of lack of funding at this end. Is that correct?

Caroline Gardner: The achievement of financial stability and—more important—delivery of the vision will depend on such investment in an IT system that will be quite different to what the police have at the moment. The source of funding for that is not yet clear.

The Deputy Convener: Let us say, for example, that in the next budget the Scottish Government says that it will partially fund the £298 million. What should happen then? Should the police make cuts elsewhere to cross-fund or cut the £298 million programme?

Caroline Gardner: That question is more for the Government and the Scottish Police Authority than it is for Audit Scotland. I am highlighting the risk that, without such investment, the financial sustainability of the SPA is significantly unclear—much more unclear than it is at the moment.

The Deputy Convener: I understand.

Willie Coffey would like to come in on that point.

Willie Coffey: A paragraph in your report on i6 that was published in March 2017 says that, over a 10-year period, we could have expected

"efficiency savings of around £200 million".

Is there anything like that in the new strategy and the new estimate that might offset the deputy convener's concerns? What might be the 10-year forecast for efficiency savings?

Caroline Gardner: I ask Stephen Boyle to pick up that question.

Stephen Boyle: The scale of efficiency savings is captured in the digital data and ICT contract. We have not yet formally undertaken an audit of the strategy. However, our plans for 2018-19 clearly include assessing the very important connections between the financial planning and the strategy itself, which we would capture in future reports.

Willie Coffey: Is there a figure, though?

Stephen Boyle: I would have to get back to the committee on that.

09:30

Alex Neil (Airdrie and Shotts) (SNP): I have a couple of factual questions. First, over what period of time is it intended to implement the strategy for IT? Secondly, is the funding on top of the existing capital departmental expenditure limit and the capital for the reform?

Caroline Gardner: Stephen Boyle will answer both of those questions.

Stephen Boyle: On your second question, the expectation is that it would be on top of the existing capital DEL provisions. The delivery of the programme is predicated on the delivery of policing 2026. The implementation of the strategy and the connections with the financial plan are mapped out over the first six years of the next decade.

The other key point is what that means for transformation in the round and how it will impact on workforce and estates. We expect that all the strategies, once implemented, will have a considerable impact on the financial projections of Police Scotland and the SPA. We expect that the numbers that appear today will have to change again as timescales and funding become clearer.

Alex Neil: Do you have any information on the potential methods of funding being considered by the Government? Is it the type of non-profit-distributing Scottish Futures Trust funding or is the Government using its own capital, or is it a combination of the two?

Stephen Boyle: We do not know how it is planned to be funded at this stage. We understand that the SPA's request is for a commitment on the quantum of the capital required, as opposed to the vehicle to be used to produce it.

Anas Sarwar (Glasgow) (Lab): I will focus on the specifics of workforce. The annual audit report makes it clear that there is insufficient progress in developing a workforce strategy and raises concerns about the fact that only headcount is monitored and about the need for improved reporting and more co-ordination with stakeholders. Will the Auditor General outline some of the reasons why there has been a delay in developing a workforce strategy and say whether any progress has been made on stakeholder engagement since the report?

Caroline Gardner: The first point is that we recognise that workforce planning is central. The policing service is delivered through police officers and police staff working with partners across the public sector and the third sector every day. Most of the budget is spent on people, and the way that we plan for that, develop people for the future and think about how people are used is key to being able to deliver policing.

There have been early steps in delivering a workforce strategy, but it is not yet detailed enough to underpin the sort of planning that Stephen Boyle has outlined for the committee. There are a couple of reasons for that. As Stephen Boyle said, all the different elements of the strategies that underpin the vision are interdependent. If more is spent on IT to get a

flexible system, the same service can be delivered with fewer people. Those things work together.

The SPA and Police Scotland have been working through with Government the implications of the minimum number of police officers of 17,234 and the room for flexing that as it becomes clearer how policing can be delivered differently, for example by using specialists in cybersecurity who may not be police officers but who are very much involved in delivering policing. All of that has taken time. The changes in the leadership teams of the SPA and Police Scotland have also had an effect.

Stephen Boyle can provide a bit more detail on how the situation is developing and what the priorities are.

Stephen Boyle: One thing to bring to the committee's attention is the progress over the past year. A key step that Police Scotland has identified to us is the harmonisation of police terms and conditions across the country, which has been a significant milestone for the organisation. The implications are captured in the annual report and accounts.

I do not have much to add to the points that the Auditor General made. Police Scotland now has the platform, capability and capacity to make progress. As ever with transformation, it is not about just one factor; it is about the interconnected nature of the strategies and the knock-on implications of transformation for what is required from the workforce, played off against estates. There is also the timing and cost of progress on technology.

Anas Sarwar: Has there been any assessment of the implications of moving from eight police authorities to one? Have there been geographical challenges, in particular around workforce planning and strategies and, if so, where are those?

Stephen Boyle: We are not close enough to the issue to be able to brief the committee on what it means for the workforce. As a national service, Police Scotland understands that workforce requirements in one area will not be the same as in another. We keep a close eye on that through our work and we will report back to the committee as necessary. If there is an issue of particular interest, it may be worth exploring that with the SPA or Police Scotland.

Anas Sarwar: The Auditor General rightly made clear that crimes and the need for policing are changing. Do the workforce strategies that are in place or are being developed involve any analysis of what new skills are required in relation to recruitment or what retraining is required for the existing workforce to modernise to deal with the crimes and policing of today?

Caroline Gardner: That is exactly the detail that we would expect to see in the workforce strategy that underpins the vision. The vision recognises those changes fully and that different types of police officers and police staff will be needed, potentially in different places. What we do not have is the detail beneath that to allow recruitment, training or financial planning to start.

Anas Sarwar: I have general questions on workforce planning. The Audit Scotland reports on the national health service make clear that there are workforce challenges, as there are for the SPA and Police Scotland. Do we have a workforce planning issue in Scotland to do with those strategies and how we pull them together?

With regard to our vacancy rates and workforce planning issues in a host of public services across the country, is there a connection with a people problem? By that, I mean a problem not with the skills of our people but with the numbers of our people. We have so many vacancies in so many areas. Do we have to be more realistic about what we can achieve based on our population and our ability to train people quickly enough in Scotland or attract them from other parts of the United Kingdom, the European Union or abroad? As politicians, do we need to be much more alive to our people issue?

Caroline Gardner: That is a really interesting question. In response to the first part, I do not think that we need a Scottish public services workforce plan that covers everything; it would be too high level and would probably not add anything useful to what we have.

Anas Sarwar: I agree with that.

Caroline Gardner: With individual public services such as health and care and policing, the workforce planning tends to be quite supply led. For example, in the NHS, people tend to say that they expect—I am plucking numbers from the air—20 per cent of nurses to retire over the next 10 years, therefore they need to recruit and train that many nurses to fill the pipeline at the other end. In a world that is changing as fast as it is at the moment and in which health and care are changing, we need to think more about what work needs to be done and how it is done, rather than thinking about supply chains of professionals in isolation.

We need to take that approach much more, given the scale of uncertainty that comes with the new financial powers and the volatility and the opportunities and risks that those bring, and obviously with the uncertainty around EU withdrawal. There is room for all public services to think more radically about how we use people to deliver public services, both as public servants—doctors, nurses, teachers and police officers—and

as people who are playing their part in all of that, along with the third sector. That is a huge question that is beyond what we are considering today.

Anas Sarwar: The area is important, though. You are right about the different roles and responsibilities that people can have and what skills we have. For example, in the national health service, we are 3,500 nurses short. If we add up the nurses, midwives and consultants, we need about 5,000 people in Scotland right now to try to make up those vacancies. We simply will not find those people, which is why I ask whether there needs to be a much stronger drive towards service reform? I do not mean cuts or withdrawing services; I mean a modernisation programme that would involve heavy investment in IT infrastructure, technology and better informing our citizens about what more they can do to support and be part of that public service in partnership with the third sector. Does that reform agenda need to be much more in focus across all our public services in Scotland?

Caroline Gardner: I would approach it from a different angle. In Audit Scotland, we have been thinking about the refreshed national performance framework and its outcomes. I am on record as saying that the outcomes approach is a really good thing. It has to be right to think about what you want to achieve with public services and spending. The new national performance framework is a great opportunity to say how we go about improving outcomes. That almost certainly will not be in the traditional public services and roles that we have; there is much more room to be thinking way upstream about prevention.

Yesterday, colleagues from Audit Scotland and I spent time with the Wheatley Group hearing about how housing officers can meet their customers' needs in the properties that they manage much more flexibly by working with public bodies. That is just one example of how we can work more flexibly in relation to what prevention means and how we can improve outcomes to move us on from how public services have worked in the past.

Anas Sarwar: Have Government, political parties across the board and public services accepted that point? If so, is there a programme to deliver that? Does such a plan or strategy exist?

Caroline Gardner: The commitment to the national performance framework and its establishment in legislation demonstrate that that approach is accepted across the board in the Parliament. We have not yet seen the detailed hard work of thinking what it means for how we change the way that we work, with full recognition that that is hard to do at a time when public services are under pressure because of rising demand and really tight financial pressures.

We are in a catch-22 situation where the solution to the pressures is to make that time, step back and think about how we do things differently. Unless we can break the cycle of running to keep up, we will not be able to do it.

Anas Sarwar: Convener, I also have a question about the British Transport Police.

The Deputy Convener: Before you ask it, I want to continue your interesting line of questioning.

Auditor General, you will recall that, last summer, the former chief executive of the SPA was made redundant with the justification that the role had shrunk. An interim chief executive came in on a lower salary, which stacks up if the role was smaller. The new chief executive, who started in August, is now being paid the salary of the original post, which seems rather strange to me. Is it the case that the chief executive role has re-expanded to what it was before? If it has not, why are we paying more? In any event, the Scottish Government signed that off. Do you have an oversight of the Scottish Government's thinking in that regard?

Caroline Gardner: You are absolutely right that the justification for making the former chief executive redundant was a reduction in the size of the role due to the removal of forensic services from his reporting responsibilities. That was part of the business case that enabled a redundancy situation to occur and a settlement to be reached with the former postholder. The new chair of the board and the refreshed board that has been in place since then have reviewed what support the SPA needs in terms of its chief executive capacity and the system that goes with that.

The factual position is that the forensic reporting lines remain outside the new chief executive's role, but the SPA evaluated the role and fixed a salary for it that is commensurate with that paid to the previous chief executive. Both those sets of decisions were agreed with the Scottish Government.

The Deputy Convener: There was a redundancy situation, a smaller role was created that merited lower remuneration and it has now been decided that that smaller role merits the larger salary that was in place before. Is that correct?

Caroline Gardner: That is a factually correct description of the situation. I think that it is fair for me to say that my concern is not about the salary that is being paid to the current chief executive—it is a significant job with significant responsibilities, as accountable officer for more than £1 billion-worth of public money—but about the decision-making process that took place around the former

chief executive, and I reported to the committee last year on that matter.

The Deputy Convener: The committee has been concerned about similar situations. We would appreciate it if you could give us more detail on the current arrangements after this session. Would that be possible?

09:45

Caroline Gardner: I am not sure that there is much that we can add to what I have said. As I said, my concern was about the options that were considered by the chair of the board—and the board generally—in 2017, around the departure of the previous chief executive. I reported that at the time. The remuneration for the current chief executive has been agreed with the Scottish Government after a proper process and does not seem to me to be disproportionate for a job of such a scale.

Alex Neil: I am not clear what additional responsibilities the new chief executive has, given that forensics is still outwith the remit.

I realise that that is not Audit Scotland's primary responsibility. Convener, I suggest that we write to the chair of the board, to ask for more detail on why such a salary was agreed. The committee made it clear last year that we thought that the chief executive was well overpaid. Can we ask the chair to confirm the new chief executive's salary and say why the Public Audit and Post-legislative Scrutiny Committee's recommendations on the matter were ignored?

The Deputy Convener: That would be sensible. Let us talk about that later.

Alex Neil: There is no point in the committee making decisions only to have them ignored by quangos.

The Deputy Convener: Indeed.

Anas Sarwar: Auditor General, in your opening remarks you mentioned the British Transport Police issue and the impact that it could have on the policing 2026 strategy. Do you have a sense of whether the delay will have an impact and, if so, what the impact might be? The Parliament is divided on the integration of BTP and Police Scotland, which might be a matter for the politicians rather than Audit Scotland. Is the delay in making a decision on whether to integrate part of the problem? Would a decision either way impact on the strategy?

Caroline Gardner: You are absolutely right that it is not my role to comment on policy decisions; that is a matter for the Government and the Parliament. I recognise that the Smith commission agreed on the devolution of transport policing to

Scotland and that legislation is in place to give effect to that. During consideration of how that might happen, it became clear that devolution of transport policing is more complicated and potentially much more costly than expected, and the Cabinet Secretary for Justice has announced that he is reviewing the available options.

The concern that I expressed in my report is more that the level of change that the SPA and Police Scotland need to manage in any case is very significant, and that the continuing uncertainty about how devolution of transport policing might happen is another element of uncertainty, which adds to the things that the committee has been discussing this morning.

Anas Sarwar: Is that uncertainty to do with workforce, finance or service delivery, or all three?

Caroline Gardner: It is all of the above. Above all, thinking about what might be required to devolve transport policing has the potential to distract the leaders of the SPA and Police Scotland from the things that they need to be doing to transform policing.

Anas Sarwar: What actions are required to avoid that happening? What do you recommend?

Caroline Gardner: The best outcome would be an early decision about the way forward, and a decision that takes account of capacity in the SPA and Police Scotland to make further changes.

Anas Sarwar: Will the lack of an early decision, or a delayed decision, mean workforce, service delivery and financial challenges?

Caroline Gardner: No. I said in the report, quite carefully, that there is a risk of those things. However, while the question is still open, some attention and focus is inevitably distracted from the things that need to happen, whatever decision is taken about transport policing.

The Deputy Convener: It is an important point. You said in your report:

“there is a risk that the ongoing uncertainty continues to absorb resources at the expense of wider strategic objectives.”

What resources are currently being tied up by that uncertainty? How long could that continue?

Caroline Gardner: Currently, the issue is probably taking up less time and attention than it was taking up before the cabinet secretary's announcement earlier in the year. Pauline Gillen will talk you through the consequences as we saw them in the audit.

Pauline Gillen: Our concern is mainly about the amount of staff time and energy and leadership time that has been spent on the project to date. We are concerned that that will continue until there

is clarity about the future plans and their timescales. The organisation is in a period of great transformation and lots of projects are under way. Our concern is that attention is being diverted away from those projects on to transport policing.

The Deputy Convener: In effect, until there is a decision, as Mr Sarwar says, there will be the cost of the human resource that is required. I presume that, even though we have postponed the decision, something is going on, and that has a cost attached to it, to the detriment of other projects. Is that correct?

Pauline Gillen: Yes. SPA and Police Scotland staff are still engaging with the BTP and the Scottish Government on future plans, so some staff time is still being expended on the project.

The Deputy Convener: I will move on slightly. Your report expresses concern about the performance management arrangements and says that it is “vital” that improvements are made in order for the SPA to hold Police Scotland to account sufficiently. What is your view on that? Are sufficient steps being taken to get a new performance management process in place? Is that being done with sufficient urgency?

Caroline Gardner: I start by restating that I think it is critical. Over the past five years, we have heard a range of views on the SPA's role in holding Police Scotland to account. The roles are now much more widely understood and the new teams in the SPA and Police Scotland are working together much better to make it happen in practice, but it cannot happen as envisaged in the legislation unless the SPA has the information that it needs about how well policing is performing, and the current performance framework is not good enough to support that. Work is under way, but it is not progressing quickly enough to mean that the SPA can now sit down at its public board meetings and demonstrate that it is holding Police Scotland to account for the delivery of policing across Scotland.

Stephen, do you want to say a bit more about what you have seen of that?

Stephen Boyle: I add that the SPA and Police Scotland are very clear that this is a key priority for the short term. As the report mentions, the SPA's ability to discharge its responsibilities in holding Police Scotland to account is undermined by the depth and extent of the performance management arrangements that are currently in place.

The new chief executive of the SPA has the matter clearly in his focus as one of his first targets. He is keen to expand the range of sources that the SPA considers so that it can take a wider view of the performance of policing in Scotland. To date, that has focused largely on information that is derived from Police Scotland systems and

provided to the SPA for it to take a view on. His plan is to broaden that out to consider academic research and so forth, to allow a wider assessment. That goes back to the Auditor General's point about looking not just at the numbers that are presented but at the outcomes that are achieved for the large public expenditure in the area.

The Deputy Convener: Going back to the Auditor General's point, you said that the work is not progressing fast enough. On whom is the onus to expedite the process?

Caroline Gardner: As Stephen Boyle said, the new chief executive is focused on the matter. He has been in post only since October, so it is very early days for him to be demonstrating progress with it, and not enough progress was made on it in the first five years of Police Scotland and the SPA's existence. It is very early days for the new teams. However, it is now five years since the SPA and Police Scotland were established and, because of the importance of the matter, it needs to be progressed as quickly as possible.

The Deputy Convener: I am grateful for your answers.

As members have no further questions on the topic, I thank the Auditor General and her team for their evidence. I will suspend the meeting until 10 o'clock to allow a changeover of witnesses.

09:54

Meeting suspended.

10:00

On resuming—

“The 2017/18 audit of Community Justice Scotland”

The Deputy Convener: Item 3 is on the section 22 report “The 2017/18 audit of Community Justice Scotland”. I welcome our witnesses: Caroline Gardner, who is the Auditor General for Scotland; Mark Roberts, who is a senior manager at Audit Scotland; and, Jo Brown, who is a director of Grant Thornton.

I invite the Auditor General to make a short opening statement.

Caroline Gardner: Our brief report results from the first annual audit of Community Justice Scotland, which is a small central Government body that began work on 1 April 2017. Community Justice Scotland is critical to the Scottish Government's justice strategy and its ambition to shift the balance away from custodial sentences towards more community-based sentences. It spent £1.2 million in its first year, and the auditor

gave an unqualified opinion on the annual report and accounts.

Community Justice Scotland started work with a board consisting of a chair and four members, appointed by the Scottish ministers. That make-up did not comply with the Community Justice (Scotland) Act 2016, which specifies a minimum of five board members in addition to the chair. Between October 2017 and October 2018, the chair of the board was absent. Three of the remaining four non-executive directors agreed to take turns at chairing board meetings until April 2018, when the board agreed to appoint one of its members to be interim chair. The Scottish Government subsequently approved that arrangement. During 2017-18, the board's audit and risk committee met just twice and its human resources and remuneration committee did not meet at all. The chair resigned in November, and the Scottish Government plans to recruit a new chair. In addition, the Government appointed four new members to the board in October, bringing the total number to eight, one of whom is acting as interim chair.

Effective governance is critical to the work of all public bodies, irrespective of their size. We will monitor Community Justice Scotland's progress through the 2018-19 audit, and my performance audit programme contains a proposal to look at community justice in 2020-21.

I am accompanied by Joanne Brown, who is the appointed auditor for Community Justice Scotland, and Mark Roberts from Audit Scotland. We will do our best to answer the committee's questions.

The Deputy Convener: Thank you very much.

Anas Sarwar: Good morning, again. A key part of the report concerns the number of board members. Has the Government explained why it did not appoint the appropriate number of people at the start of the process and what the barriers and challenges to doing so were? Has there been any explanation?

Mark Roberts (Audit Scotland): Our understanding is that, in the very early stages of Community Justice Scotland, discussions were had between the organisation and the Scottish Government about how many board members it needed. I am still not clear why it was decided that there would be a chair and four non-executive members as opposed to what was specified in the 2016 act. There was discussion about whether a small number of board members would be appropriate during the organisation's early stages, but why that number was chosen is a question that would be better directed to the Government.

Anas Sarwar: What are the sanctions on the Government, or the challenges that it faces if it does not comply with an act of Parliament?

Caroline Gardner: It is part of the role of Parliament and its committees to think what is appropriate in individual circumstances. It is my role to bring matters to your attention. In this case, the size of the board did not comply with the legislation that was approved by Parliament.

Anas Sarwar: A much bigger consideration than whether we have the right number of people on the board is whether we have the right skills on the board. Did we have the right skills on the board at the outset when we had the one-plus-four model, and do we have the right set of skills on the board now?

Caroline Gardner: The appointment of the new members is a very important opportunity to broaden the skills and make sure that they are what the organisation needs. Jo Brown might want to comment on that.

Jo Brown (Grant Thornton): Now that the board has an additional four non-executive members, it is undertaking a skills matrix, to look at the skills of the people on the board and identify where there may be potential gaps or where training might be required.

From speaking to the accountable officer, I know that plans are in place to train members of the audit and risk committee, to strengthen their understanding of how they discharge their role. We will look at that as part of the 2018-19 external audit.

Anas Sarwar: Who was the chair and who is the chair now?

Caroline Gardner: Currently, there is not a chair. The chair resigned in October 2018 and the Government has not yet advertised for a new one. The chair for the first period of the organisation's existence was Jean Cooper.

Anas Sarwar: How often does the board now meet, and do the board members draw lots over who chairs the meeting?

Caroline Gardner: Jo Brown will pick up the point on frequency.

Jo Brown: To clarify, in the transition period when the chair was absent, three of the non-executive members rotated the chairing of meetings. A decision was taken in April 2018, when the position on the chair became clearer, to appoint an interim chair, Glynis Watt, who continues to act as interim chair.

As a relatively new organisation, the board made the decision to meet monthly and at present it meets 10 times over the 12 months of the year. The board continues to look at the frequency of its meetings in the light of the business that is going to the board and the number of decisions that it

needs to take, to make sure that that is appropriate.

Anas Sarwar: Can you say a bit about the make-up of the current board, in terms of its diversity and skills? Is it an accurate reflection of the skills that such a board requires and of the diverse make-up of Scotland?

Jo Brown: On skills, what we see as external auditors is that there is a strong focus on experience in community justice. The four new appointments made in October 2018 strengthen that community justice knowledge and experience. Members have differing and diverse experience of working across public sector organisations, not-for-profits and third sector organisations.

In 2018-19, we will continue to look at the board's financial understanding, how financial management is taken into account in the skill set of the board and the board's wider governance experience. Those aspects should come through the skills matrix and be picked up as part of the training.

Anas Sarwar: I have two final questions. Is there a gender balance on the board? Is there any ethnic minority representation among the eight members?

Jo Brown: On gender balance, the four new appointments were male, but a number of the previous non-executive directors were female. I think that the gender balance is just shy of 50:50. I could not comment on wider diversity, but I am sure that we can get that information.

Anas Sarwar: That would be great.

Finally, given that the board had one chair and four board members, did not comply with the 2016 act for almost all its existence and does not currently have a chair, it does not seem to have had a great deal of Government oversight or interest. Was this body created just because it seemed the right thing to do? Do you get a sense that it is a strategic priority for the Government and that it is investing the time and energy needed to make it a success?

Caroline Gardner: Community Justice Scotland is a priority. The board needs to play an important role as it moves into the second year of its life in making that change happen. Mark Roberts can give a better sense of the oversight that the Government exercised during this period.

Mark Roberts: Government officials were at a number of the board meetings in the course of the year. They were aware of the process of establishing the organisation prior to April 2017 and how it operated subsequently. There was a reasonable level of Government awareness as to how the board operated during the year.

The Deputy Convener: I will pick up that question and come at it from a slightly different angle. The board is appointed by the Scottish ministers, there is no chair and no deputy, and for at least some of its existence it has been a very small board. Some people may wonder whether it is understandable that the Scottish Government is not in a tearing hurry to find more people to be on the board, on the basis that it has greater control over it in this way.

Caroline Gardner: That was not our conclusion at all. It is important to remind ourselves that, when the chair was first absent, nobody on the board or in the Government knew how long that absence would last. With hindsight, we know that it lasted for 12 months, from October 2017 to October 2018, but when she was first absent, the process was open ended with no end point in sight. As Jo Brown said, for the first period the board rotated the chair between the members, and after six months, they agreed to appoint a member as the interim chair. By the end of the 12 months, it was appropriate to ask whether the arrangements in place were operating as effectively as was needed, and the Government has now appointed an additional four members. The chair has resigned and the Government is planning to appoint a new chair.

My concerns are the effect on the basic governance arrangements for the new body; more broadly, the extent to which there is a consistent approach to setting up new bodies, which is not a trivial task, even for small bodies; and the opportunity cost of making sure that the body can play its important role of delivering more community justice services and more effective services across Scotland.

The Deputy Convener: Thank you. Alex Neil has a supplementary on that issue.

Alex Neil: If this body and its board were abolished at 5 o'clock this afternoon, would anybody in Scotland notice?

Caroline Gardner: That question is not entirely fair for a brand new body. It has not yet been able to establish itself to carry out its important function. I hope that when it is up and running and carrying out that function, it will be a key part of community justice, as the Government and Parliament envisaged when they established it. There is an opportunity cost to its not being there yet.

Alex Neil: However, it has now been up and running for a year and three quarters. What has it achieved in that period?

Caroline Gardner: Its achievements have been focused on getting itself established. As I have reported to the committee today, that has taken longer than it should have done.

Alex Neil: It has not been entirely successful in doing that, has it?

Caroline Gardner: That is why my report is in front of the committee today.

Alex Neil: Are there not lessons in here? I would have thought that an obvious one is that boards should appoint a deputy chair so that, if through illness or whatever a chair has to be absent for whatever length of time, a deputy chair can step in. To allow members to rotate the chair is not good governance, apart from the lack of consistency and the question of whether there are the right people with the skills to chair a board meeting.

The other thing that strikes me is that the matrix of skills is being done now. Surely the skills are looked at before people are appointed to the board, not after they are appointed? Once they are appointed, the board is landed with the set of skills that it has, whether it is the right set of skills or not.

Caroline Gardner: You are absolutely right. There are lessons to be learned, and that is a reason why I report to this committee. The first lesson is that appointments need to comply with the legislation that sets up the body, which did not happen in this case. As the committee has discussed before, there is merit in having a deputy chair who can step in when required and who can play an important role when, for example, there are differences within the board by helping to resolve them and move forward. Being clear about the make-up of the board with regard to the skills that are required and compliance with such things as the Government's diversity legislation and its policies are also important.

This is a small body that potentially plays an important part in the justice system in Scotland, and I have reported to the committee because I think that it is important that those lessons are learned.

Alex Neil: There are lots of lessons in here and this is something that we will need to discuss later. We need to follow up, as this is shambolic.

Angela Constance: This is a very important public body—I speak as a former prison social worker—and we spoke in our earlier session about the importance of public sector reform. The *raison d'être* of the organisation is to shift the balance from short-term custodial sentences that are costly and ineffective to robust community disposals that will rehabilitate offenders and make our communities safer, so it is an important organisation.

We also know from experience that the early years of any organisation are crucial in getting the right start and the best start and laying strong foundations. Therefore, if I have picked up

correctly what the panel said, it is deeply concerning and regrettable that the organisation has been without a chair for a year, which is a long time even for a well-established organisation, never mind a new one.

10:15

I do not expect you to breach any rules by giving personal information about any of the individuals who are involved, but I would be interested to know the impact of people taking turns to chair meetings, given the issue of consistency that Alex Neil raised. Could anything have been done earlier to resolve the situation? How actively involved is the sponsoring team?

Caroline Gardner: There were lots of questions in there, which I will ask Mark Roberts to pick up.

I agree with the broader point that you are making, which is that it is important that a public body that is set up to fulfil a major policy priority for the Government has fair wind and support behind it. It is not a trivial matter to set up a new public body, and it needs to be done in a way that gives it the best chance of fulfilling its objectives.

Mark Roberts: I will pick up on the situation with regard to the deputy chair. As we said in the report, the act makes explicit provision for a deputy chair to be appointed, but the board decided not to do that during the early stages of its work.

As I said in my answer to Mr Sarwar, the sponsoring team in the Scottish Government was fairly actively involved in seeing how work was going by attending board meetings and so forth. There was understanding and oversight of what was going on. In recent months, with the expansion in the number of board members, there has certainly been a large amount of engagement between CJS and the sponsoring part of the Scottish Government. There is engagement and it is seen as a priority for Scottish Government policy.

Angela Constance: I suspect that there are probably questions that the committee will want to follow up with the accountable officers of the organisation and the sponsoring team.

I want to pick up on Anas Sarwar's point that diversity is strength. There is oodles of evidence that gender balance and diversity more widely are not just the right thing but the smart thing to do, so that we tap into all the talents that are available. Given that the Gender Representation on Public Boards (Scotland) Act 2018 was passed by the Parliament and has to be fully implemented by the early 2020s, what assurance can the committee get that, in this instance, the law will be complied with? If the four new appointees are all men, does

that mean that all the existing appointees are women?

Caroline Gardner: I think that Jo Brown said that a number of the previous board members were women. The chair who resigned was a woman. We do not know yet who the new chair will be, so the balance is not yet fixed.

Your wider point is an important one. It is about how the Government makes sure that the intentions that are enshrined in the legislation are being given effect to as appointments are made, so that we get the right people on boards and so that, by the target date in the legislation, 50 per cent of those board members are women.

Angela Constance: I have a final question. Given that women are underrepresented as chairs of our public bodies, does the panel have any insight into, or assurance to offer about, the efforts that are being made to engage our community in the widest sense and to encourage applications from women, people from a black and minority ethnic background or people with a disability?

More broadly, will you give the committee a sense of the top three priorities for the organisation over the next 12 months?

Caroline Gardner: On the first question, we have not yet looked directly at the measures that the Government is taking, in general, to encourage more diverse applicants for board member and board chair positions. This is an example of where there is an opportunity to do that, but we have not looked at it, so I cannot give you that assurance. The committee might want to explore the issue with the Government.

On the priorities for the board, the starting point is to establish the basics of good governance, to have a board that complies with the legislation, to have a chair in place and to have a board that comes together around its priorities. The board must then start the important work of working with its partners around the justice system and with wider stakeholders to make a reality of the policy commitment that Angela Constance highlighted at the start of her questioning. The policy is a really important part of public service reform, and all the evidence suggests that it is both better for Scotland and better value for money. That is why the board is such an important part of the process.

The Deputy Convener: Before we move on, I have a brief question. As far as you are aware, has the way in which the board has been constituted impacted on its services over the past year or 18 months?

Caroline Gardner: There is no doubt that 2017-18 was always going to be the year of the organisation starting operations. In my view, there is probably an opportunity cost in slowing down

the board's ability to move on to the next stage, which is that of starting to have an impact on justice services. It is hard to quantify, but it is also hard to see how the problems could not have had that effect.

Alex Neil: Before I move on to financial capacity, which is the main thrust of my next question, I note that we are all absolutely signed up to the objective—there is no doubt about that. However, that is what makes this a greater tragedy. By now, we would have expected the board to be racing ahead because of the urgency and the priority that the policy has been given. That worries me, although it is sensible to suggest that we slow down a bit and get the organisation into shape before we move to the next phase.

I also want to confirm that the chair resigned three months ago.

Caroline Gardner: It was in October this year.

Alex Neil: Has the job still not been advertised?

Caroline Gardner: Mark Roberts checked in with the Government on that very recently.

Mark Roberts: The post has certainly not been placed on the Scottish Government's appointed for Scotland website, where details of most public appointments are placed.

Alex Neil: Alongside Angela Constance's point about deliberately trying to use the appointment of a chair to improve the diversity of the board, I think that we will want to raise directly with the Government the point about treating this a bit more urgently, given the importance of what we are trying to achieve.

On financial capacity, which is another internal issue, are you satisfied that the board now has the internal capacity that it will require to do the job once it is fully up and running?

Caroline Gardner: I ask Jo Brown to pick up that question.

Jo Brown: The organisation is very small—as the report sets out, it has only 26 employees. We will look very closely at financial capacity as part of our 2018-19 audit. I know that the accountable officer continues to have conversations with the Scottish Government and the sponsor department. The organisation makes use of Scottish Government finance systems such as payroll and financial ledger. However, she recognises that, at the moment, the financial capacity and capability in her team are limited outwith that Scottish Government arrangement, and she is looking to recruit to a post to strengthen her financial team. Again, we will look at that as part of the 2018-19 work.

Alex Neil: Last week, we heard that some integration joint boards do not have full-time

financial officers. They deal with hundreds of thousands of pounds—potentially, in some cases, more than a billion pounds—per year. There might be a lesson here about small organisations sharing a central financial resource, for example, so that they can get the level of expertise that they require without having to build in a huge overhead that might not be justifiable for organisations of that size. Do we need to be a bit more imaginative about how we address such issues?

Caroline Gardner: Jo Brown may want to comment in a moment, but my sense is that it is a case of horses for courses. The body has a service-level agreement with the Scottish Government to prepare its financial accounts. It uses the Scottish Government's central finance systems such as the Scottish Executive accounting system, and that is entirely appropriate at this stage. However, you are right. Perhaps like the IJBs, as it develops and plays more of a role in working with the Scottish Prison Service, local authority community justice services and others to change the way in which sentencing works, its scale and the complexity of what it needs to manage will also change. It would then be appropriate to review what capacity it needs—not to do the transactions processing but to carry out the strategic financial management of how funds need to flow through the system and how they may need to move from one place to another to make that change happen.

Alex Neil: More generally, has the board agreed a business plan or a strategy of its own? It knows its general outcomes, but has it agreed a performance monitoring system for its own added value in the system?

Jo Brown: The board's strategic priorities and strategy are set out in a document and have been agreed. There is a one-year financial plan that supports a business plan. The board recognises that, from 2018-19, Community Justice Scotland will have a larger budget and that it will start to do more commissioning. The board is looking to create a wider three-year financial plan.

Alex Neil: When will that be ready?

Jo Brown: The board is looking at that just now. It has committed to having it in place when it looks at the budget for 2019-20; February 2019 is therefore the timescale that it is working to. As part of its strategy, it has a broad outline around the outcomes that it wants to achieve and it is starting to look at the performance management framework and how it reports against those outcomes. However, as you would expect for a relatively new organisation, a number of those areas are still under development.

Bill Bowman: When you say that the organisation uses Scottish Government systems,

does it just input into a computer system or is there someone in the Scottish Government who is responsible and who prepares the accounts, understands what Community Justice Scotland does and understands the business when putting together the financials?

Jo Brown: It is probably a combination of both. There is a team in Community Justice Scotland that can input directly into the financial ledger and process transactions. On financial statement support, for the 2017-18 audit, the statements were prepared by somebody in the Scottish Government's finance team who understood CJS's accounting transactions. They prepared the set of accounts and liaised with us from an audit perspective around the underlying supporting information for those transactions.

Bill Bowman: In the process of signing off the accounts, did you deal with somebody at Community Justice Scotland or somebody at the Scottish Government? Who took responsibility for the financials?

Jo Brown: Our facilitation was with somebody in Community Justice Scotland. However, when we were doing our audit work, there were wider questions around the financial statements, such as how they were prepared and how the accounting treatment of certain aspects was picked up. We liaised with Community Justice Scotland but ultimately spoke to somebody in the Scottish Government's finance team around the accounting and preparation of the financial statements.

Bill Bowman: There is therefore a gap in Community Justice Scotland at the moment in understanding the financials.

The Deputy Convener: The annual audit report says:

"There was lack of clarity at the Audit and Risk Committee at the end of July",

because nobody from the Scottish Government—which I think prepared the accounts—turned up to talk about the accounts. Why did the Scottish Government not show up?

Jo Brown: There was a misunderstanding between Community Justice Scotland and the individual in the finance team at the Scottish Government around the preparation of the accounts. One of the challenges that the organisation has had is understanding the role and remit not only of the audit and risk committee but of the individuals who attend it. There was a misunderstanding that I—as the external auditor—was preparing and presenting, rather than auditing, the financial statements. As part of that misunderstanding, there was nobody at that meeting to present the accounts. The organisation was not aware of that and has learned from it. I

would expect to see that much improved in 2018-19.

Willie Coffey: On the same area, you said that the audit and risk committee met twice in 2017-18. Is it continuing to meet? Does it have an internal audit programme and plan in place, and are those being carried through?

Jo Brown: It has an internal audit programme—the internal audit is provided by the Scottish Government internal audit service—and an annual plan for 2018-19. The audit and risk committee met in July and, more recently, at the start of November. The next meeting is scheduled for early January. It has started to do a forward schedule of business and it needs to continue to project that through and agree it.

The Deputy Convener: As members have no further questions, I thank the Auditor General and her colleagues for their evidence this morning.

10:29

Meeting continued in private until 10:47.

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