

# **AUDIT COMMITTEE**

Tuesday 24 October 2006

Session 2

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## **AUDIT COMMITTEE**

### **14<sup>th</sup> Meeting 2006, Session 2**

#### **CONVENER**

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

#### **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)

\*Mrs Mary Mulligan (Linlithgow) (Lab)

\*Margaret Smith (Edinburgh West) (LD)

#### **COMMITTEE SUBSTITUTES**

Mr David Davidson (North East Scotland) (Con)

Marlyn Glen (North East Scotland) (Lab)

Eleanor Scott (Highlands and Islands) (Green)

Mr John Swinney (North Tayside) (SNP)

\*attended

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

Mr Robert Black (Auditor General for Scotland)

Caroline Gardner (Audit Scotland)

Graeme Greenhill (Audit Scotland)

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

Shelagh McKinlay

#### **SENIOR ASSISTANT CLERK**

Joanna Hardy

#### **ASSISTANT CLERK**

Clare O'Neill

#### **LOCATION**

Committee Room 1



## Scottish Parliament

### Audit Committee

*Tuesday 24 October 2006*

[THE CONVENER *opened the meeting at 10:02*]

### Items in Private

**The Convener (Mr Brian Monteith):** I open the 14<sup>th</sup> meeting of the Audit Committee this year and welcome members. We have received apologies from Margaret Jamieson, who cannot make today's meeting. I welcome the Auditor General for Scotland and his team from Audit Scotland, as well as members of the public and press. I remind members to switch off pagers and mobile phones, as they interfere with the public address system.

Our first item is to agree to take items 4 to 7 in private. Item 4 is consideration of the committee's approach to the Auditor General's report on the overview of the performance of transport in Scotland. Item 5 is consideration of arrangements for the inquiry into the Auditor General's report on relocation. Item 6 is consideration of a draft report on the inquiry into the Auditor General's report on implementing the national health service consultant contract. Item 7 is consideration of the arrangements for an inquiry into the Auditor General's report on community planning partnerships. We normally take all such aspects of the committee's work in private.

Is it agreed that we take items 4 to 7 in private?

**Members** *indicated agreement.*

## Transport in Scotland

10:04

**The Convener:** Agenda item 2 is transport in Scotland. Members will receive a briefing from the Auditor General on his report entitled "Scottish Executive: an overview of the performance of transport in Scotland". I invite the Auditor General to brief the committee.

**Mr Robert Black (Auditor General for Scotland):** This overview report on the transport spend in Scotland was published late in October. It is the first time that we have ventured outside the fields of the health service, local government and further education for an overview report of this kind. It is a significant development in the way in which we report on major areas of Executive spending.

The report concentrates on transport issues for which the Executive is responsible. However, as most transport activity is delivered by other organisations with financial support from the Executive, it also examines the activities and performance of those organisations. The report is a backdrop to the establishment of the new transport agency, Transport Scotland. We anticipate that a new national transport strategy will be published by the Executive in the fairly near future, so the information that the report contains is a baseline for the future work of Transport Scotland and will, perhaps, be a helpful backdrop to thinking about the new national transport strategy when it is published.

There is no doubt that spending on transport has increased significantly, as is clearly indicated in exhibit 2 on page 8 of the report. You can see that spending has increased from about £900 million in the late 1990s to around £1.5 billion. It is expected to increase to around £2.3 billion in 2007-08, which is more than double the level of spending in the early years of this decade. There has been significant investment in new infrastructure such as trunk roads and railway lines, but spending is increasingly being targeted on public transport. In the late 1990s, less than a quarter of transport spending was on public transport, but the Executive intends more than 70 per cent of its transport budget to be spent on public transport in the nine years to 2010-11.

My report provides an overview of performance against the Executive's five transport objectives, which are to promote economic growth; to promote social inclusion; to protect the environment and improve health; to improve journey safety; and to improve integration. The final objective of improving integration was introduced with effect from only 2005-06. The

Executive has been measuring performance against the other four objectives using a range of targets and performance indicators. In general, the Executive has performed well against most of its transport targets. Some do not, however, provide a full picture of whether objectives are being achieved, and it can be difficult to assess fully how the Executive's activities contribute towards achieving its transport objectives. I will turn briefly to each of those objectives to give the committee a summary of the report's main findings.

The first objective is to promote economic growth. The Executive has identified road congestion as one of its main transport challenges. In 2002, it stated its intention to stabilise traffic volumes at 2001 levels by 2021, but traffic volumes have continued to increase. Last year, the total volume of traffic on Scotland's roads was about 43 billion vehicle kilometres—19 per cent more than in 1994—and it is estimated that traffic will have grown by a further 27 per cent by 2021. The Executive has not been particularly successful in getting local authorities to develop plans and targets to reduce road traffic, and is currently considering whether to replace its traffic stabilisation aspiration with other targets.

The Executive and, since its creation, Transport Scotland are responsible for maintaining Scotland's trunk road network. There has been mixed progress against Executive targets to reduce the proportion of the trunk road network that requires close monitoring, and the proportion of the sample trunk road network that requires close monitoring has increased in recent years. It is estimated that £325 million is required to bring the trunk road network up to an acceptable standard. The condition of the local authority road network was the subject of a previous report by Audit Scotland to the Accounts Commission. In the present report, we give the figure of around £1.5 billion as what might be needed to bring that network up to standard, which is broadly in line with the global sums that were indicated in the earlier report.

The Executive considers that increasing the number of rail passenger journeys contributes to the promotion of economic growth. The number of rail passenger journeys on First ScotRail services has increased by 48 per cent over the past 10 years and reached more than 75 million passengers in 2005-06. The Executive, therefore, looks set to achieve its targets in that area.

There has been significant investment in new road and rail projects, such as completing the M74 and providing rail links to Glasgow and Edinburgh airports. The Executive considers such schemes to be a key factor in promoting economic growth.

We have examined the system that the Executive has developed to appraise transport

proposals and we are satisfied that it is robust. Most infrastructure projects require significant planning and development before construction begins. Many projects are being completed later than originally planned and at a somewhat higher cost than was originally estimated due to a number of factors, such as inflation, increasing land and property values and changes in design. Our analysis indicates that, once construction begins, most projects are delivered in line with tendered cost estimates. However, the Executive could do more, in our opinion, to demonstrate whether completed projects are achieving their objectives.

The second main objective is to promote social inclusion. A third of Scottish households do not have access to a car. The Executive provides a range of financial support to bus services to improve access and increase usage. Overall, the number of passengers travelling on local buses has increased by 23 million since 1999-2000, which is in line with the Executive's target. User satisfaction remains high.

In April 2006, the Executive introduced a national concessionary travel scheme that does not have any area or time restrictions and is accessible for older and disabled people. The scheme is proving very popular. By August, about 920,000 people—more than 95 per cent of those who are eligible—had obtained free travel passes. The Executive has capped the cost of the scheme at around £160 million for each of the next two years, which allows for a certain amount of growth, but there is a risk that the higher-than-expected usage will put great pressure on the budget. The scheme will use smart card technology to reduce the opportunities for irregularity or fraud, but its introduction has been delayed until the end of 2007.

People in rural areas face particular transport problems, such as a lower level of access to private vehicles, higher fuel prices and less frequent and less accessible public transport. The Executive is supporting a range of transport services in rural areas, including community transport, petrol stations and grants to local authorities to provide bus services. In 2005-06, the Executive provided subsidies of about £76 million to lifeline air and ferry services to improve access for people in the Highlands and Islands. The number of passengers using those services has increased in recent years.

The third main objective is to protect the environment and improve health. Transport-related greenhouse gas emissions have increased. In 2003, they accounted for 17 per cent of all Scottish greenhouse gas emissions. The Executive supports a range of measures to reduce traffic emissions, such as grants to encourage the

transfer of freight from road to rail or water, the encouragement of walking and cycling, support for the development of fuel-efficient driving techniques and cleaner vehicles and fuels. Initiatives to encourage more environmentally friendly transport, such as cycling, have so far had limited impact.

The fourth main objective is to improve road safety. The Executive has funded accident reduction measures on trunk roads and local roads, and it has supported various road safety awareness campaigns. In recent years, road safety has improved. Since the mid-1990s, the number of people killed or seriously injured on Scotland's roads has fallen by 40 per cent. The Executive has achieved its target ahead of schedule.

In conclusion, the Executive is making significant investment in transport, but it faces quite a challenge, to say the least, in devising a transport strategy that balances the requirements of economic growth with the development of a sustainable transport network that is sensitive to environmental concerns.

As ever, my colleagues from Audit Scotland will help me to answer the committee's questions.

10:15

**Mr Andrew Welsh (Angus) (SNP):** There have clearly been some very dramatic—and, I think, commendable—changes in infrastructure investment with, for example, a significant increase in investment in public transport. However, you say that there is a risk that the 95 per cent take-up rate for the new concessionary fares scheme

“may exhaust the ... scheme's budget.”

What is the extent of that risk?

**Mr Black:** It might be helpful if one of my colleagues explains the scheme's operation more fully. As I understand it, there is a finite amount in the budget, and payments to operators will be adjusted as passenger numbers increase beyond the budget limit to ensure that it is not breached. Of course, any reduction in the subsidy might have a knock-on effect on service continuity.

**Graeme Greenhill (Audit Scotland):** It is still early days. After all, the scheme only came into effect in April. Given that it is popular and has a high take-up rate, there is a risk that the budget will be exhausted. However, as we are only six months into the scheme, it is still too early to say whether such a risk will be realised. Obviously, Transport Scotland, which administers the scheme, will have to keep an eye on the situation.

**Mr Black:** A related issue is the need to introduce smart card technology as quickly as possible to ensure that spending is well controlled.

**Mr Welsh:** So the scheme is popular, but we need to keep an eye on any risk areas.

You say that an estimated £1.5 billion is required to bring the local authority road network up to standard, while £325 million is required for the trunk road network, which means that the combined road system requires a total of about £1.8 billion. Is that money required to bring the roads up to a current standard or a future better standard? In other words, are we simply running to stand still, or have the estimates been future-proofed?

**Mr Black:** With regard to the trunk road network, we are talking about the expenditure levels that are required to bring it up to a condition that does not need close monitoring. Of course, even if a road requires close monitoring, that does not mean that it is unusable. However, these are the only figures that are currently available.

We can say that the proportion of the sampled trunk road surface with a residual life of less than five years has almost doubled from about 11.6 per cent in 1994-95 to 22.4 per cent in 2004-05, and that since 2003 the proportion of the sampled motorway and dual carriageway network the residual life of which has been exhausted and the condition of which therefore requires close monitoring has stayed broadly constant. As a result, we can reasonably conclude that although the trunk road network is not any better than it was 10 years ago, the condition of motorways and dual carriageways has not deteriorated significantly since 2002-03. Of course, the amount of traffic has grown significantly in that time.

As for the local authority road network, because the system of monitoring the condition of such roads changed in 2003-04, there are insufficient data to draw any reliable general conclusions beyond those set out in the Accounts Commission report that was produced a couple of years ago.

**Mr Welsh:** Although investment is welcome and much needed, it is important not only to bring roads up to current standards but to future-proof any improvements, unless we want to run to stand still. I appreciate your comments, but repairing roads to existing standards might not be the best course if those standards begin to rise and future investment needs to follow. Surely the goal is to have something that is sufficient for the purpose.

**Mr Black:** Yes, that is indeed the goal.

**Mr Welsh:** After all, there might be changes in axle weights and so on. Having been involved in a local project that was definitely future-proofed, I realise that such an approach is crucial to our whole economy. As I have said, although the investment is welcome, I hope that we are not running to stand still and that Transport Scotland uses it to look to the future. Of course, that is an aspiration.

The Executive is considering whether to replace its current aspiration of stabilising road traffic congestion at 2001 levels by 2021. Given that such an aspiration will be out of date in 20 years' time, does it have any option but to do so?

**Mr Black:** In answering that question it is important to put the issue of congestion in perspective. The problem of congestion is clearly of concern to many people, but it is important to bear in mind the fact that the average time lost per vehicle kilometre in 2003 was 4.95 seconds and that only eight of the 44 routes monitored showed serious or severe congestion for more than an hour per day. The time lost as a consequence of road congestion was highest on the northbound approaches to the Kincardine bridge and at the M8 St James interchange in Baillieston in both directions. There are congestion problems, but they are concentrated at particularly severe points. I ask my colleagues to say a bit more about what we understand the Executive's intentions to be in developing a new approach.

**Graeme Greenhill:** The aspiration was to limit traffic growth and stabilise traffic at 2001 levels. The Executive has accepted that that is just not achievable and that traffic is likely to grow in volume. It now wishes to focus its attentions on transport outcomes. Rather than trying to control traffic growth, it is more likely to focus on controlling environmental emissions from traffic. The national transport strategy is expected to take that into account. We expect to see the results of that when the strategy is published.

**Mr Black:** One of the factors relating to this, which we mention in the report, is that the Executive has in the past required each local authority to set targets to reduce road traffic for its area, but the Executive has only limited influence over that. Audit Scotland found that local authorities generally do not support the use of road traffic reduction to achieve transport objectives. In the report, we recite some of the reasons for that, which include a concern that attempts to reduce road traffic volumes could have an adverse impact on local economic development.

**Mr Welsh:** So it is really about freeing up choke points. You mentioned the statistics on time lost. It sure does not feel like such a short time when we are stuck in some of the congested areas.

**Mr Black:** I agree.

**Mr Welsh:** An aspiration should be achievable, so that it is not just a pious hope. Concentrating effort on the choke points to free up the congestion would be a sensible use of resources. Is that what is proposed?

**Mr Black:** That is essentially a matter of policy for the Executive. It is clear from our knowledge of

the programme that it is implementing that it is giving priority to the congested spots.

**Mr Welsh:** Everybody will be relieved if that is successful.

**The Convener:** Before I invite Susan Deacon to ask her questions, I seek clarification about a question that Andrew Welsh asked. You explained how the budget for the national concessionary travel scheme might be breached or exhausted. Does that mean that if it is breached or exhausted by February, a statement will have to be made that no more concessionary travel can be provided? Alternatively, will the cost be met through the reallocation of further funds?

**Mr Black:** Our understanding is that bus operators have agreed in principle that if higher than expected usage exhausts the scheme's budget the reimbursement rate can be reduced. However, if the reduction in the reimbursement rate were to be significant, there might be a risk to the sustainability of the affected routes.

**The Convener:** Thank you for that clarification.

**Susan Deacon (Edinburgh East and Musselburgh) (Lab):** I preface my questions by echoing Andrew Welsh's observation that some of the headline messages in the report are significant and bear repetition. The fact that the spend on transport is doubling is significant. Indeed, the shift in the proportion of the budget for public transport is tangible evidence of an alignment between Executive commitments and the way in which investment is prioritised. However, given that increased spend, it is all the more important that the investment is channelled as effectively as possible. I have a series of questions on that.

My first question is about the decisions on which projects will go ahead. The report contains a section examining the Executive's clear overarching objectives for its transport policy and a helpful section examining the individual project appraisal methods that have been used for some projects. However, in the middle is an area that has been the subject of debate and, at times, criticism, including in some focused academic pieces of work—namely, the process by which the Executive and parliamentarians prioritise projects and assess their relative priority. Can Audit Scotland comment on that?

**Mr Black:** I am sorry, but the answer will not be terribly helpful. As members know, we do not examine the policy end of the business, so our study did not address explicitly the selection and prioritisation of projects. I am not sure whether the team can be helpful to you on that. The report contains an appendix that mentions the transport appraisal methods, which we think are robust, but we did not consider the higher-level policy issue of which projects should take precedence within the framework of that appraisal method.



**Graeme Greenhill:** We cannot add much to that.

**Susan Deacon:** Does that mean that, in taking the political decision on whether project X goes ahead, there is no methodology for comparing the relative merits of projects, set against the Executive's stated transport objectives?

**Caroline Gardner (Audit Scotland):** The relevant point that we make in the report is that the Executive has high-level transport objectives, but it is not always clear how those are traded against one another. In some examples, the objectives pull in the same direction but, in other obvious examples, they are in conflict. We make the point that we are not clear about how those trade-offs are considered explicitly and how decisions are made on the back of that. You are right that we have considered the decisions on individual projects and the option appraisal method. The higher-level question is about the way in which, under the overall transport strategy, the Executive weighs up explicitly the different objectives and considers what outcomes it wants to achieve. That is the gap in the middle that the report has not yet filled out.

**Susan Deacon:** Given Audit Scotland's experience of considering a range of Executive functions and policy areas, in your view, could further steps be taken and a methodology be put in place to introduce a greater degree of transparency and a more robust process by which the relative prioritisation of transport projects is carried out?

**Mr Black:** We cannot point you to a perfect methodology for that. Committee members should await the publication of the new transport strategy, which is due in a few weeks. None of us knows what the content of that will be. However, there must be the prospect that, having seen our report, the Executive will take into account some of our constructive suggestions about the need for more transparency in how the Executive balances the objectives, which can conflict with one another.

10:30

**Susan Deacon:** My next question is perhaps a variation on the same theme, but I will ask it anyway. I am thinking in particular about the concessionary travel scheme, but my question links to the wider one that I asked previously. Was a cost benefit analysis of the scheme conducted at an initial stage? Of course, it is ultimately right and proper that political decisions are taken on such matters, but it is obviously important—particularly for the Audit Committee—to know whether a cost benefit appraisal of such policies takes place in advance of decisions being made.

**Mr Black:** When we reviewed the transport appraisal methods we considered road and rail projects. It is fair to say that we did not look at the assessment criteria that were applied to the policy decision to introduce the concessionary travel scheme before the event.

**Susan Deacon:** My final area of questioning is about the delivery of those projects. I was struck by a comment that you made earlier that chimed with everything that I have seen, heard, read or discussed in this area, which is that when it comes to the construction phase of projects, Scotland is performing not too badly. The work is going ahead largely on time and on budget, but the part of the process that could do with some improvement is what goes before it. As you said, some of that is obviously to do with the planning system. I hope that the debate that is taking place in Parliament will see us take steps to address that through reform of the planning process, but a host of other matters feed into delays at that early stage. I am interested to hear your further comments and insights on where some of the delays occur and how the process could be expedited in the future.

**Mr Black:** The simple answer is that when cost estimates are first being prepared, much is essentially unknown. It is only when the people concerned get down to the detailed planning and development work that the costs begin to harden up.

A whole range of matters could result in cost increases. Some that come to mind are the need for the compulsory purchase of land; ground conditions that are much more difficult than were foreseen, possibly as a result of ground contamination; and the unknown factor of whether there will be local objections, which may lead to public inquiries that might influence the eventual design and route of projects. If a project takes longer than expected to get through a public inquiry or to acquire planning permission, the estimates may be affected by the effect of inflation over a longer period than was originally anticipated. However, as we say in the report, once all the planning is done and tenders for the work are received, most projects are delivered in line with the tender estimates.

**Susan Deacon:** Are you aware of any comparative work that is taking place either under your own auspices or elsewhere to compare the processes in Scotland, other parts of the UK and other countries to find ways in which projects can be managed and delivered more effectively, more cost effectively and more quickly? There seems to be substantial evidence, both anecdotal and structured, that many countries—including many European countries—can move forward more quickly than we can with major transport infrastructure schemes.

**Mr Black:** We have not compared how projects are handled in other countries. I repeat the point that once tenders are received, project implementation seems to be quite efficient in Scotland.

**Susan Deacon:** Am I allowed a final bite at the cherry, convener?

**The Convener:** You have already gone over time, but I will let you go.

**Susan Deacon:** I suspect that I will quickly be told that this is a policy matter for the Executive, but I will ask anyway. Mr Black, I noted that you said both in your report and earlier that the Executive had not been entirely successful in getting local authorities to take forward plans on congestion. As an Edinburgh MSP, I speak with some feeling on the issue. The City of Edinburgh Council is an example of a local authority that attempted to introduce measures but did not manage to see them to fruition. I do not know whether that is the difficulty or whether local authorities are not getting to the starting blocks in the first place. Do you have any views or observations on how Scotland might get better—at whatever level—at taking the hard decisions around congestion?

**Mr Black:** I shall resist the temptation. I am sure that Susan Deacon will understand, because that is a policy matter.

**Susan Deacon:** It was worth a try.

**Robin Harper (Lothians) (Green):** I suppose that I should declare an interest, as I have campaigned, with many others, for congestion charging, but I shall resist the temptation to comment further.

I have a number of small questions that follow on from Susan Deacon's questions. The project actual costs in exhibit 12 of the report intrigue me. The initial estimates for road projects seem to be, on average, about 40 per cent cheaper than the project actual costs, whereas the initial estimates for rail projects are all fairly accurate from the beginning. Is there an easy way of accounting for that?

**Graeme Greenhill:** It is largely a matter of timing. The road project estimates are produced early in the process before a lot of the detailed planning work is done. The rail estimates that are shown in exhibit 12 are done when the bill is presented to Parliament to get the go-ahead for the project. A lot more development work has gone into the rail projects by the time that they reach the parliamentary process, so the estimates have been worked up in more detail.

**Robin Harper:** I will resist the temptation to comment further on that.

Mr Black mentioned that there has been an increase of 23 million bus passengers in Scotland since 2000, but in a population of 5 million, that means slightly fewer than five extra bus journeys per person per year. It is progress, but it is not yet something that people need to cheer about. One would need a significantly bigger figure to do that, but as soon as someone presents a figure as 23 million extra, everybody thinks that that is impressive. Could the Executive be encouraged to present its figures more realistically?

**Mr Black:** Yes, that is true. The annual rate of increase has averaged just over 1 per cent in the period, which is in line with the Executive's target. The figure may seem small, but it is important to bear in mind that bus patronage was declining throughout the 1990s. It is often difficult to turn round social trends, and the Executive has succeeded in its target of turning round that trend and increasing bus usage by about 1 per cent.

**Robin Harper:** My other comment with regard to presentation could extend to objectives across the board, but it applies in particular to carbon dioxide reduction. When the figures for rail connections to airports are presented, they should be connected to air traffic. The intention behind such connections is clearly to cope with the increase in air traffic, so there is a responsibility to balance the figures from the building of the railway links with the increase in air traffic.

In other words, if you say that the airport rail link will reduce carbon dioxide emissions by reducing the number of car journeys and by requiring fewer car parking spaces, you also have to say that the point of the link is to enable a 20 per cent increase in air traffic. It is therefore unrealistic to present the figures baldly, by saying that carbon dioxide emissions will reduce. The point of building rail links is to increase air traffic, which will increase carbon dioxide emissions. The two things should be presented together.

**Mr Black:** That is a good example of the point that was embedded in Caroline Gardner's answer about conflicting objectives. There could perhaps be greater clarity when two objectives are clearly conflicting.

**Mrs Mary Mulligan (Linlithgow) (Lab):** Now that Robin Harper has drawn my attention to exhibit 12, I cannot resist the temptation to mention that the initial estimate for the Airdrie to Bathgate rail link was slightly higher than the estimate at the moment. That only goes to show what good value for money that rail link will be.

Robin Harper spoke about bus journeys. The Executive has considered a number of ways of responding to demand for buses, but the number of passenger journeys cannot be increased if there are no buses to provide the services. Every MSP

in the Parliament—from Glasgow to the Highlands—will tell you that bus routes are an issue. Notice that I did not use Edinburgh as an example; Edinburgh has a locally owned bus company and therefore probably has one of the best services in the country.

One method that the Executive has used to increase the number of bus routes has been the bus route development grant. The Executive has put money in, but have such developments been shown to be cost effective? Have services been developed beyond the initial grant, or, once the grant is finished, are services no longer provided? Has the Executive's investment produced sustainable routes?

**Mr Black:** Exhibit 14 on page 27 gives examples of projects that have been funded by the public transport fund. That exhibit might be helpful to you, but Graeme Greenhill can describe the situation more fully.

**Graeme Greenhill:** We did not seek to evaluate the success of the bus route development grant, nor am I aware of any evaluation of the scheme by the Executive. It is therefore difficult to answer your question.

**Mrs Mulligan:** Has the issue simply not been looked into, or is there an issue with timing or money? Why has the scheme not yet been evaluated?

**Graeme Greenhill:** It is probably a timing issue. The scheme was introduced only in 2004, so it is perhaps a little early to evaluate it. However, it is the sort of thing that I would expect the Executive to evaluate at some point in the future.

**Mrs Mulligan:** Paragraph 4.3 on pages 26 and 27 says:

"Local authorities consider the bus quality partnerships to have been successful in providing improvements to bus services."

That is not my experience. When providing things such as a bus shelter—as mentioned in the report—or perhaps even a new bus, the partnerships might have been successful. However, local authorities that I have spoken to have said that private operators are reluctant to get involved with providing a service and to take on responsibility for on-going costs. Have you anything more to say about quality partnerships? I do not feel that they have been a success.

10:45

**Graeme Greenhill:** We summarised the Executive's evaluation of bus quality partnerships. A footnote to paragraph 4.3 refers to work that has been done on them. Overall, the partnerships seem to have been a success, but perhaps there are less successful local examples.

**Mrs Mulligan:** I accept that they might not have got off the ground only in West Lothian, but I would be surprised if that were the case because people there have worked hard to get them off the ground. The public sector is not in a position to bear risks relating to future route developments that the private sector wants it to carry. Therefore, the main intention behind the partnerships does not seem to have been achieved. I wonder whether there is any other way in which things could be done. Perhaps that is a policy question.

**The Convener:** The issue is the evidence that is available rather than the policy.

**Mr Black:** If it would be of interest to the committee, I am sure that we could provide more details about what has been said by using the document to which the footnote to paragraph 4.3 refers.

**Mr Welsh:** One thing is bothering me. A national transport strategy will be produced in the near future, but spending on transport has significantly increased before the production of that strategy. To what extent has expenditure been ad hoc? Is there scope for innovation or will the current budgets restrict or predetermine in any way a future strategy?

**Mr Black:** I would not want to give the committee the impression that Audit Scotland thinks that the transport strategy to date has been ad hoc. The Executive formulated a strategy a few years ago, which the transport programme that has been put in place reflects. Perhaps the main example to give in that context is the shift in benefits to public transport from other forms of transport. In my introductory remarks, I mentioned exhibit 2 on page 8, which clearly sets out the Executive's major spending trends since the beginning of the decade. Those trends are consistent with the overall objectives of its established strategy.

**Mr Welsh:** I am trying to avoid speaking about policy. However, if there has been considerable expenditure on transport before a national transport strategy has been produced, how much scope is there for extra money to be made available for overarching needs in an overall strategy? Some of the building blocks are in place, but I used the phrase "ad hoc". There must be some rhyme or reason for what has happened. The new transport strategy's scope for innovation will be reduced if much of the budget has been predetermined. As I said, I am trying to avoid policy issues, but there is a cart-before-the-horse problem. In an ideal world, there would be a national transport strategy for which spending increases would be delivered.

**Caroline Gardner:** The most helpful thing that we can do is draw your attention to exhibit 3,

which clearly sets out the Executive's transport objectives from the 2002 spending review and from 2005. There are clear objectives in each case. The question for us is how far the trade-offs can be explicitly managed. The transport strategy may be able to address that question in the future. It would not be accurate to say that there has been no clear direction in the past. The question is how far the potential conflict of objectives can be explicitly managed—Ms Deacon mentioned that—and how far the overarching framework can be developed to make the best use of the investment that has been made.

**Mr Welsh:** Thank you for that guidance.

**The Convener:** I have a final question on this topic. The report states:

"The number of rail passenger journeys on ScotRail services has increased by 48 per cent over the last ten years and reached 75.1 million in 2005/06 ... the annual number of passengers travelling on local buses in Scotland has increased by 23 million since 1999/2000".

We know that rail freight has also increased. In addition, the report states:

"The total volume of traffic on Scotland's roads in 2005 was about 43 billion vehicle kilometres, 19 per cent more than in 1994".

Given that the information for that 10 or 11-year period shows that we are all making more journeys, it strikes me that we need to ask whether we can measure accurately—or, indeed, tell at all—the extent to which a switch has been made from one mode to another. Robin Harper questioned whether the Executive could claim that we are all making five more bus journeys. However, ought those five more bus journeys to be 10 more bus journeys, given that people are driving more? Given that traffic volumes across the range have increased and none seems to have dropped, it is difficult to ascertain whether there has been a modal switch. What evidence do we have that would enable us to unpick that?

**Mr Black:** Our report does not explicitly analyse the extent of any modal switch, but members of my team may have knowledge that might help to answer the question.

**The Convener:** If they do not, that is fine. I am just suggesting that we need to consider that. However, I do not necessarily expect an answer to the question.

**Graeme Greenhill:** You are right in your basic analysis that we are all travelling further. The Auditor General is also correct that we did not analyse the extent to which modal shift has been achieved. All that we can say is that, if the number of bus journeys and train journeys had not increased, we would have had even more car journeys and potentially more associated problems of congestion, environmentally harmful emissions and so forth.

**The Convener:** That is helpful. We have no more questions on the report. From the number of our questions, it is obvious that the committee is interested in the issue. Under a later agenda item, we will discuss whether we want to pursue the issue further or, given that this is only a baseline report, whether we should wait to see what evidence Audit Scotland provides to us.

## “The 2005/06 Audit of the Scottish Prison Service”

10:53

**The Convener:** Agenda item 3 is consideration of a response from the Scottish Prison Service to the Auditor General's section 22 report, “The 2005/06 Audit of the Scottish Prison Service”. A letter from Tony Cameron has been circulated to members. Do members have any comments, observations or questions on the letter?

**Susan Deacon:** I have one point of substance and one point of process. I note the helpful update that we are given about developments under the section on estate modernisation. I visited HMP Edinburgh recently and was pleased to see that the claim that is made in the letter was borne out by the evidence there, in terms of the extent of the development that has taken place. I note, however, that the response from Tony Cameron does not address the point about the prison estate that I raised explicitly at the meeting, which was about decisions around Peterhead and how and when they might be expected. That is part of a separate decision-making process with multifarious consultations and the like. It strikes me that there is still a gap in our knowledge in that regard. That is my point of substance.

My second point is one of process. I do not want to labour the point, but I note that there has been an issue around what the chief executive wrote to us about previously and the extent to which he fulfilled his previous commitment to update us. At our previous meeting it was thought that he had not done that; however, it is important that we are clear about such matters. If his commitment was fulfilled in his previous correspondence with us, we should not hesitate to apologise to him for the criticisms that are on the record from our previous meeting, which may be unfair—I am not sure, as I have not studied the detail of the various letters that exist.

**The Convener:** It is, indeed, the case that Mr Cameron wrote to us, but that letter was not circulated with the committee papers. An apology for querying the fact that he had not written to us is, therefore, in order, although committee members were unaware of the fact that he had written to us. There is no difficulty in members accepting that he had written to us. We now have the current letter as well, which is helpful.

Under the heading “Prisoner Compensation Claims”, the letter states:

“please note Napier was not a test case but the judgment has so far encouraged over 1400 prisoners or ex prisoners to raise similar court actions.”

In a later paragraph, it states:

“Napier clarified the law on slopping out and personal injury.”

I am not sure about the fine detail of what constitutes a test case, but it seems clear that the Napier case brought some issues to a conclusion that encouraged others to seek redress. Although Mr Cameron's letter is useful in clarifying the nature of the Napier case, it seems that other cases are now being contested to try to bottom out the liability. Whether those are not test cases, I am not entirely sure, but they seem to be important cases in defining the liability. That is what the committee is concerned about.

**Mr Welsh:** Our original worry was whether the SPS had allocated sufficient resources to meet the potential demands of prisoners if they went to court for compensation. In Mr Cameron's letter of 24 July, he says that the new prison is “expected” to be fully operational but that the SPS is awaiting a decision. He still does not know when the prison at Bishopbriggs will be completed. I assume that, until it is completed, there is a danger of compensation claims.

Mr Cameron says in his letter of 17 October:

“we understand that the Reporter appointed by the Scottish Executive Independent Reporters Unit expects to issue his report to the Planning Minister by the end of November. However, no firm date has been set for this stage of the process.”

What is the meaning of “we understand”? There is still a vagueness about that. Furthermore, his explanations on the second page of the letter contain no amounts for compensation. Our original worry was whether there was enough allocation in reserve to meet properly any liabilities that arose from the situation. I see no amounts attached to his explanation, although that was our worry. We have got words with no amounts or estimates attached to them, although that was our original concern.

**The Convener:** As members have no further points to make, I invite Audit Scotland to comment.

**Caroline Gardner:** The main point is that there is clearly still some uncertainty about both the likely scale of liabilities for the non-personal injury cases and the speed at which new prison estate will come on stream for the two new prisons and, as the convener pointed out, for Peterhead. The auditors' view was that the provisions on liabilities were reasonable in the context of that uncertainty; nevertheless, the uncertainty remains. We will continue to report that to you as the accounts are audited each year, as long as there is a question remaining about those two issues.

**Mr Welsh:** I wish in no way to take away from the effect of the mitigation procedures and the action that has already been taken; however, the

question is whether there is enough finance available to meet the potential claims for compensation. We still do not have an answer to that, and the committee is right to flag that up.

**The Convener:** The committee can decide under a subsequent agenda item what action to take on that. *[Interruption.]* I am advised that that may not be possible. We can make the decision now rather than in private. Do members wish to draft a further letter clarifying the points that have been raised?

11:00

**Mrs Mulligan:** Can we be clear about what the letter would contain?

**The Convener:** It would include, for example, the point that Susan Deacon made about Peterhead. Are members content to seek a response on that? Susan, you raised that point.

**Susan Deacon:** Yes—definitely.

**The Convener:** If the committee agrees, we could ask whether any figures can be identified. Andrew Welsh is concerned about what the numbers are and whether the liabilities can be met.

**Mrs Mulligan:** I asked for clarification because I disagree with Andrew Welsh's point. Caroline Gardner said that, as far as Audit Scotland is aware, sufficient funds are being put aside at this time. However, there is recognition that that is not based on 100 per cent clarity, so there might be some variation. I am not sure what Tony Cameron could add to that.

I would like to know when we will know about Bishopbriggs, but I accept that the independent reporters unit is holding a planning inquiry so we cannot get that information at the moment. We need to wait until the inquiry is completed and the findings are known. I am sure that that will happen at some stage.

I understand the Audit Committee's desire to firm up some of the figures, but it is unrealistic to expect that there is anything on which we can definitely ground that at this stage.

**Mr Welsh:** On the contrary, Tony Cameron states:

"Offers have been made in line with the level of award made by the European Court of Human Rights."

He could tell us the amounts. His letter states that there are continuing problems, but no figures are attached to the general statements. There is uncertainty, but we have no information about how much money is involved. The problem will not be solved until the new prisons have been built. In the meantime, what is the liability of the prison service—that is, the public purse—to the continuing claims?

**Caroline Gardner:** It might be helpful to point you back to the original section 22 report, which you might not have in front of you. It reported to you that the Scottish Prison Service's accounts contained a provision for £49 million and a contingent liability of £24 million for 2004-05. In the auditor's view, on the basis of the available evidence—as I said, there is still significant uncertainty in a couple of important areas—those provisions and liabilities are reasonable, but they are provisions and liabilities because we do not know what the final cost will be. There is likely to be some movement of the type that we have seen in the period since the figures first appeared in the accounts.

There is information in the accounts and it is reported to you through the section 22 mechanism. It might be possible for the SPS to break that down further, but I suspect that there is a limit to how much it can do. There has been some uncertainty, but the accounting requirements are being fulfilled and, in the auditor's view, the amounts that are attached are reasonable.

**The Convener:** I recollect that the figures have reduced considerably.

**Caroline Gardner:** They have. I was trying to find the figures while I was talking. Paragraph 5 of the section 22 report states:

"The 2005/06 accounts record an increase in the provision ... to £58 million and an increase in the contingent liability to £27 million."

**The Convener:** If Andrew Welsh agrees, one way of dealing with the matter would be to ask the SPS whether it can add any further information.

**Mr Welsh:** I hope that my caution and pessimism are unjustified. I agree with the approach that you suggest.

**Susan Deacon:** I endorse the point. It is important that we do not continue to drill down and seek further information. We agree that, in broad terms, the information has been provided and the requirements fulfilled.

However, it is critical that we get a clear sense of what action is being taken to minimise potential liabilities and costs in the future. That is the bit that still seems to be missing. I have just re-read the material, but unless I am missing something I do not see a clear statement of the potential relationship between the time that is taken to end slopping out and the liabilities that might arise from any increase in the time that it takes to modernise the estate in order to end that practice. I would like to drill for further information on that—although I am looking for more numbers, I am not sure that more can be provided at this stage. I certainly want more information on what is being done actively to reduce those risks in the future. I am looking in the general direction of the Auditor

General to see whether that is the right question to ask.

**Mr Black:** When we presented the report last month, we understood that 350 cells still required prisoners to slop out. None of those is a shared cell and they are all at Polmont or Peterhead. Polmont will no longer be used when the new accommodation becomes available, which should be before the end of this year. That will leave 280 cells at Peterhead, none of which is shared. There has been a significant reduction since those problems started back in 2000 when prisoners were slopping out in 1,900 cells. Those numbers provide general information about the direction of travel. I suspect that it might be difficult for the prison service to give the committee much more information than that at the moment.

**Susan Deacon:** If I may say so, progress at Peterhead is brought into even sharper focus when placed in that context. I note in Tony Cameron's letter of 24 July 2006:

"A consultation exercise has been conducted on the *Future of Prisons in the north-east of Scotland*, the next stage of which involves consultation with the new Community Justice Authorities."

As I understand it, that exercise is still in its infancy, but it has the potential to go on for many months, if not years, before all the planning and construction processes begin. I want to know what timeline the prison service has in mind.

**The Convener:** The question is more about possible timelines. If consultation on the future of prisons in the north-east of Scotland is under way, the options under consideration might change. A number of timelines are therefore involved and the concern for the Audit Committee relates to what liabilities will attach to those different timelines. We could ask the prison service to provide that information. Does the committee agree that I should write to Mr Cameron to thank him for his two letters and to ask for further information?

**Members** *indicated agreement.*

**The Convener:** Good. Members will be given copies of the draft letter before we send the final version.

11:09

*Meeting suspended until 11:23 and thereafter continued in private until 12:38.*





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