OFFICIAL REPORT
AITHISG OIFIGEIL

Public Audit and Post-legislative Scrutiny Committee

Thursday 18 March 2021

Session 5

The Scottish Parliament
Pàrlamaid na h-Alba

Thursday 18 March 2021

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PUBLIC AUDIT AND POST-LEGISLATIVE SCRUTINY COMMITTEE
10th Meeting 2021, Session 5

CONVENER

*Jenny Marra (North East Scotland) (Lab)

DEPUTY CONVENER

*Graham Simpson (Central Scotland) (Con)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)
*Neil Bibby (West Scotland) (Lab)
*Bill Bowman (North East Scotland) (Con)
*Alex Neil (Airdrie and Shotts) (SNP)
*Gail Ross (Caithness, Sutherland and Ross) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Liz Ditchburn (Scottish Government)
Johanna Dow (Scottish Water Business Stream)
Jackie McAllister (Scottish Government)
Richard McCallum (Scottish Government)
Douglas Millican (Scottish Water)
Dame Susan Rice (Scottish Water and Scottish Water Business Stream)
Andrew Watson (Scottish Government)

CLERK TO THE COMMITTEE

Lucy Scharbert

LOCATION

Virtual Meeting

Scottish Parliament

Public Audit and Post-legislative Scrutiny Committee

Thursday 18 March 2021

[The Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Convener (Jenny Marra): Good morning, and welcome to the 10th meeting in 2021 of the Public Audit and Post-legislative Scrutiny Committee. This is the final scheduled meeting of the committee in session 5.

Agenda item 1 is a decision on whether to take business in private. I will assume that members are agreed unless they indicate otherwise. Does any member object to taking items 4, 5, 6 and 7 in private?

No member has objected, so I take that as agreement.

Section 22 Report

"The 2019/20 audit of Scottish Water"

09:00

The Convener: Agenda item 2 is consideration of the section 22 report "The 2019/20 audit of Scottish Water". I welcome our witnesses: Dame Susan Rice, chair of Scottish Water and Scottish Water Business Stream; Johanna Dow, chief executive of Scottish Water Business Stream; and Douglas Millican, chief executive, and Alan Scott, finance director, both from Scottish Water.

Dame Susan Rice will make a brief opening statement.

Dame Susan Rice (Scottish Water and Scottish Water Business Stream): Good morning, convener and members. Thank you for inviting us to give evidence. We value the committee's scrutiny, the Auditor General's report and the overall audit process.

The year 2020 and the effects of Covid-19 were not something that anyone, including the Scottish Water group, could have fully envisaged or planned for. Within Scottish Water, our main focus has been to keep water and waste water services flowing across the country for our customers and to do that in a safe and compliant way to protect staff and customers. At the same time, we have continued to deliver our crucial capital investment programme in line with all Scottish Government guidelines.

Business Stream, which has also managed its operation activities well, acted quickly to go the extra mile to support those of its customers who were most affected by the pandemic. That help continues and will be required for many more months as the full economic effects continue to be felt. Business Stream believes that it is imperative to do what it can to assist its hardest-hit customers.

As you will know from the previous evidence session, on 28 January, Business Stream is a company in the Scottish Water group, but in regulatory terms it is separate from Scottish Water. It provides water and waste water services to businesses, to the public sector and to not-for-profit customers. It does that in the regulated, competitive non-household retail markets in Scotland and England. It has its own board with independent directors, which I chair. It is funded and subject to Scottish Water group governance through its immediate parent company, Scottish Water Business Stream Holdings.

Business Stream is one of the United Kingdom's largest and most successful licensed water retailers, and its good reputation for quality and service has enabled it to grow significantly as the market has evolved. It works closely with business customers in all sectors, creating long-term relationships as it delivers value in a highly competitive market. It has also delivered positive cash returns for Scottish Water Business Stream Holdings—its parent company.

Throughout the pandemic, Business Stream has provided a wide range of measures to help to alleviate the financial pressures on its customers. Therefore, as a direct consequence of Covid, Business Stream has seen an impact on its cash flow and profits, which we understand is similar to what other licensed water retailers have seen. Business Stream has developed financial forecasts for possible future scenarios, to predict what measures might be needed as the economic effects of the pandemic play out. There is no certainty that additional financial support will be required, but it is important to ensure that the right measures are in place, if needed.

After careful consideration, including robust assessments and advice from external financial and legal experts, and in consultation with the Scottish Government and the WICS—the Water Industry Commission for Scotland—it was agreed that the parent company and its holdings should make a necessary Covid funding facility available to support Business Stream in these extreme circumstances, if and when required, with any borrowings to be repaid within a five-year period. At this time, Business Stream has not drawn down any of that funding and has no immediate plans to do so. No borrowing from the Scottish Government will be needed, because any moneys will come from overall Scottish Water group cash balances achieved by outperforming financial targets set out in the regulatory plan for the past six years. If that facility was used, there would be no effect at all on domestic customer charges or on Scottish Water’s capital programme activities.

It has been an extremely challenging period for many organisations, and we have not been immune. However, I am confident that the support that is in place offers the best possible route for ensuring that Business Stream and its business customers continue to thrive in the future, which I hope and trust you will agree is the outcome that we all want.

The Convener: Thank you for that introduction, Dame Susan. Colin Beattie will begin the questioning.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I want to look at Scottish Water’s business acquisition strategy. According to the report, Business Stream purchased the non-household customer book of Yorkshire Water business services and Three Sixty from Kelda Group Ltd in 2019-20. I want to understand a bit more about the reasons for deciding to purchase other water businesses and what kind of due diligence process you had for taking those on. I am not sure who to direct that question to.

The Convener: We will direct all questions to Dame Susan, and she will bring in her colleagues as appropriate.

Dame Susan Rice: We had very clear reasons for making those acquisitions. Jo Dow can explain those to you.

Johanna Dow (Scottish Water Business Stream): We entered the English market with the full support of all our stakeholders, and it was very much necessitated by a desire to protect our Scottish customer base. You might wonder what the link is. More than 52 per cent of our customers have sites in England as well, and we were aware that, when the market opened in England, those customers would be at risk. Indeed, more than 60 per cent of all switching activity in the English market has been from multisite customers with sites in both markets. Therefore, the strategy to enter the English market was primarily necessitated by the desire to retain our Scottish customers. There was also an element of wanting to replace the losses that we had experienced in the Scottish market by acquiring new business in England.

We recognised early that, in order to enter the English market, we would need to do so on some scale, because, although we were the biggest market provider in the Scottish market, in UK terms we were relatively small and the market was dominated by a handful of much larger players. Our strategy was very much about how we could achieve scale quickly in the English market but in a financially efficient way. We quickly determined that an option for achieving that would be through acquisition as opposed to organic growth. We targeted two separate acquisitions. We secured the acquisition of Southern Water in 2017, and more recently, as you rightly say, Yorkshire Water. As a consequence of those two acquisitions and the organic growth that we have experienced in the English market, we are now positioned as one of the three largest retailers in the UK market.

On the second part of your question, about the due diligence that was undertaken on the acquisitions, vigorous due diligence was carried out on both acquisitions over many months, involving independent financial advisers who provided advice on the commerciality of the transactions and the due diligence process itself. It also involved legal advice and support. As part of the due diligence process, we considered all plausible risks, whether financial or otherwise, including reputational risk. Again, that process was incredibly robust. We secured the acquisitions with the full support of all our stakeholders, which required approval from the Scottish Government, the Water Industry Commission for Scotland, which is our regulator, and the various boards within the Scottish Water group.

Colin Beattie: You touched on the need to protect your Scottish base. How volatile do you consider your customer base to be?

Johanna Dow: We operate in a competitive environment and our customers can choose to switch to another retailer if they are not content with the service or the price that we offer them. However, when it comes to our attrition rates—the number of customers who leave us—for the 12-month period that ended in October 2020, our overall switching or loss rates were significantly lower than the market average. Our loss rate is about 25 per cent lower than the average switching rate in the UK. That is a really strong position. An additional statistic is that, of the four largest retailers that operate across both markets, we are the only one that has maintained positive growth in our customer base.

Colin Beattie: What percentage is the attrition rate?

Johanna Dow: The UK average is about 4 per cent a year, and our figure is 3.1 per cent.

Colin Beattie: Given the fact that you have taken on those acquisitions, what has been the effect of Covid-19? Has it had any impact on the quality of the assets or on the original rationale for purchase, and are you looking for further acquisitions?

Johanna Dow: All our customers, the length and breadth of the UK, have been impacted by Covid to some extent. Most impacted is our small and medium-sized enterprise customer base—our smaller customers. In our overall customer base, we are really fortunate that we have a good mix of customers. More than 20 per cent of our customer base is public sector organisations, both in Scotland and in England, about another 20 or so per cent is large, industrial and commercial key customers, and the rest is SMEs. Across the UK, as I have said, there is much consistency of experience, particularly among those SME customers. They have, without a doubt, been worst impacted by Covid.

I would say that that has not had an impact on the acquisition value. The financial impact has been felt across all those customer bases—albeit to different degrees, I have to say. That has been driven partly by the different regulatory approaches that have been adopted in the two markets.

I do not think that the acquisitions have worsened our financial position—indeed, quite the opposite. As I said, the whole market entry strategy was predicated on protecting our Scottish customer base. I have no doubt that, if we had not done so, our financial position pre-Covid would have been significantly worse than it is at the moment.

The final part of your question was about future acquisitions. At this point, we have no immediate future plans for further acquisitions. I cannot rule out entirely that kind of growth, because one obligation that we have in the Scottish market and, to a lesser extent, in the Yorkshire Water and Southern Water regions is as a supplier of last resort. If one of our competitors were to exit the market in Scotland, through a business failure, we would have an obligation to pick up some of that customer base. However, we have no immediate plans for future acquisitions.

Colin Beattie: I have one last question. You have the contract for supplying water services to the Scottish public sector. Does that increase your financial resilience, and does it influence your ability to carry out a business acquisition strategy?

Johanna Dow: It impacts our financial resilience in the sense that it provides a positive contribution to our profitability. It has another impact in that, as you know, the credit risk associated with public sector organisations is typically low, which helps to reduce the risk in our overall portfolio.

I mentioned earlier that we have public sector customers in England as well. Our total revenue from public sector customers across the UK is roughly £150 million, of which half comes from the Scottish public sector. As to whether having the Scottish public sector contract has impacted our strategy from an acquisition perspective, I would say most definitely not.

When we acquired the Southern Water customer base and entered the English market, we did not have the Scottish public sector contract, so that was not a factor. Since we secured the contract, just over a year ago, that has not had any direct impact on or changed our English market entry strategy in any way.

09:15

Alex Neil (Airdrie and Shotts) (SNP): I have a simple question about Business Stream for Dame Susan and her team. We have our own regulator in Scotland that regulates Scottish Water and its subsidiaries, and there is a parallel regulation regime south of the border. Business Stream has operations in Scotland and south of the border, so who regulates the decision by Business Stream to, for example, expand into the English market with a possible impact on the parent operations in Scotland or on Scottish Water itself? Business

Stream's operations in Scotland are obviously controlled by the regulator in Scotland, but what is the interplay between its regulators north and south of the border?

Dame Susan Rice: That is a good question. I will ask Johanna Dow to give you some of the detail.

There are 27 or 28—the numbers move around a little bit—retail providers, so there are more than two dozen companies operating in Scotland that do the same kind of business as Business Stream. Almost all of them operate in England as well, so the situation does not pertain just to Business Stream.

Perhaps Johanna will explain the interaction between the two regulators that she experiences in running Business Stream.

Johanna Dow: I am in the really fortunate position of being regulated by two organisations—one, as you say, based in Scotland and one based in England. We are regulated by the Water Industry Commission for Scotland and Ofwat, which is its equivalent in the English market. The two markets are distinct and separate. Although we provide the same services in the two markets, the regulatory regimes are subtly different.

Turning to your question about which regulator approved the acquisition, the answer is that neither did directly. The regulators are there from a retail perspective to monitor compliance with market codes; they do not have a direct input into any organisation's acquisition strategy. However, as I said, we had the approval and support of all our stakeholders for the acquisitions that we have mentioned, and that process involved interaction with the WICS in Scotland.

Alex Neil: On Scottish Water's decision to make the facility to borrow from it available to Business Stream if money was needed as a result of the Covid crisis, did Scottish Water and/or Business Stream require the approval of the Water Industry Commission for Scotland to do that?

Johanna Dow: Yes, we did, and the approval process for that took many months. The WICS was actively engaged throughout, and it had ultimate approval at the end of the process, as did the Scottish Government, which was closely involved in the discussions.

Alex Neil: I will move on to the Scottish market. I am stepping down next month, but I have been an MSP for 22 years. In that time, I have had very few complaints about Scottish Water from constituents, and, when I have made complaints, they have been responded to professionally and quickly. The bulk of the complaints that I and my colleagues have had—to be fair, it is a couple of years since we have had many complaints—have been about Business Stream, particularly in regard to how you have handled microbusinesses and small businesses. In recent years, has Business Stream got its act together when it comes to how to properly handle such businesses?

Johanna Dow: The level of customer satisfaction within the entirety of our customer base is high: it is currently sitting at just under 90 per cent. It is measured using a basket of different measures, one of which is an independent customer satisfaction survey. Others require real-time customer feedback—customer complaints and complaints that have been escalated to the ombudsman. All of that is taken into the measure, and the level of satisfaction as a whole is at a smidgen under 90 per cent, which is a good reflection of the quality of service that we are providing.

If we separate that out and look at small and medium-sized enterprises and small businesses, we last independently surveyed those customers in February this year and overall satisfaction among them was 81 per cent. That tells me that the quality of experience that we are providing is consistently good. It does not mean that we get it right every time; no organisation does. However, if we look at the volume of complaints that are coming through, which is the ultimate measure of where we get it wrong—that manifests itself in a written complaint—we see that they are down, year on year.

In our most recent performance, the number of complaints is 50 per cent lower than it was in the previous year. That is supported in information published by both the Scottish Public Services Ombudsman for Scotland and by CCWater—the Consumer Council for Water—for the English market. Both have commented positively on Business Stream's performance in that regard. Therefore, although I cannot say that there will never be isolated instances—as I said, organisations do get things wrong—I am content that the overall quality of the experience that we are providing is good.

Alex Neil: That is good news. However, there is a 10 per cent gap in satisfaction between the smaller companies and, I presume, the larger companies. Is it one of your objectives to close that gap?

Johanna Dow: It is. At the moment, the gap is 9 per cent. There will always be a gap because one of the things that influences that score is whether a customer has had recent contact with us. The majority of our SME customers do not need to contact us, whereas we tend to have weekly interaction with our larger, key customers. That has an impact, but we want to close the gap as much as we can.

Alex Neil: Thank you. I go back to Dame Susan on the completely different subject of remuneration within Scottish Water. I do not want to talk about individuals or anything like that; I am looking at it from a policy point of view and talking about the total remuneration package and how that is—[*Inaudible*.]

The permanent secretary of the Scottish Government had a budget that was well over £40 billion this year and they receive total remuneration of the order of £170,000 a year. Including pension, that is probably £200,000. The chief executive of NHS Scotland is paid even less than that to run a very complex organisation that is vital to us all, with a budget of well over £12 billion a year. You can understand why people are perplexed about why the total remuneration packages for running Scottish Water are 50 to 100 per cent higher than those. Can Susan Rice explain the justification for that?

Dame Susan Rice: Yes, I can. It is a helpful question; let me see whether I can give an answer that explains it. I will come at it from two directions. First, Scottish Water is just about the biggest organisation in Scotland. If it was a company, it would the biggest. It is performance driven. It is set extremely challenging targets in a range of different areas, and those targets are not set from within but by the regulator, so they are genuinely challenging. It has to deliver to very high standards and provide excellent service, all for the benefit of customers.

The targets all undergo a strict verification process, and the results are signed off by external regulators, to confirm that we have either met or outperformed those targets. There are more elements to it, but what I am saying is that there is a rigorous process around the expectations for performance in Scottish Water.

You mentioned the NHS. I do not know the NHS well in any sense but I can make a bit of a comparison that might help to explain things. Scottish Water's goal is to attract and retain high-quality individuals who have experience and capability at all levels, including, obviously, the most senior levels, so that we can deliver what we want Scottish Water to deliver. Those people will be part of a much wider market. They are not civil servants, although I do not say that in any negative way at all. The people who can run a business such as Scottish Water are perhaps not people who have worked in other areas. Scottish Water is a huge infrastructure business that involves a massive investment programme. As I said before, operationally, its job is to deliver safe, constantly flowing water and to manage waste water and flood waters right across Scotland. It also has a massive scientific base.

We need our executives and other staff to have all those skills, and we need to look outside to ensure that we are getting in a good mix of individuals. People need experience and background in this space, so we hire either from within the organisation or from a pool of those who have experience in this area. That might be different in other areas.

I will make a comparison with the NHS that might help people to understand why there is an annual performance incentive programme and a longer-term incentive programme. As I understand it, in the NHS there is a large budget and an overall chief executive. However, I believe that there are a number of health boards around the country and each of those has responsibility for its catchment, which is quite right, and for the budget in that area, and I believe that there are senior executives in each of those health boards. I think that around two thirds or 70 per cent of the NHS budget is related to staff costs and benefits. You would expect that, because healthcare is delivered by people, so you need lots of people. In Scottish Water, there is a different situation. We have one senior team and one chief executive for the whole business, and I think that about 15 per cent of our budget relates to staff compensation, whether through benefits or salary. Most of the budget of Scottish Water is funding that has to be managed cleverly, efficiently and effectively by the people in Scottish Water. That is a very different level of responsibility, and we want to be sure that they manage those funds in a way that gives best value, manages risk appropriately and is compliant with all public sector expectations.

Alex Neil: The chief executive of NHS Greater Glasgow and Clyde is paid less than 50 per cent of the total remuneration package of the chief executive of Scottish Water, turns over more than Scottish Water, and is responsible for a far bigger staff. All the criteria that you mentioned apply to her. The targets that she must meet are set externally, she has responsibility for a complex organisation, and she has the same responsibility for managing budgets and performance as the chief executive of Scottish Water. She is not a civil servant, either. There is also an international market in recruitment to the post of chief executive of a health board. The comparison is almost identical, and the total responsibility of the chief executive of the health board is far greater in terms of turnover, staff, complexity, performance and so on. I have not heard anything that justifies why Scottish Water's chief executive—I do not want to personalise it, so perhaps I should just say senior people in Scottish Water—should get up to twice as much as the chief executive of the biggest health board in Scotland.

09:30

Dame Susan Rice: As I said before, I do not know the NHS in detail, so it is hard for me to respond specifically to that example. However, I would say that what Scottish Water does is highly complex and, at the end of the day, is, indeed, a matter of life. If you think about it, there is nothing more important than water, and, if we failed in our provision—

Alex Neil: I would say the health service—

Dame Susan Rice: Excuse me. I would say that the work that the business does—

Alex Neil: With all due respect, the health service has far more impact on people's lives and their life spans than Scottish Water. I accept that Scottish Water is an essential service, but so is the health service.

The Convener: I think that Dame Susan is saying that, if Scottish Water collapsed, it would be a major catastrophe. That is the implication.

Dame Susan, it seems to me that you were saying that salaries in Scottish Water are commensurate with those in the private sector. Is that right?

Dame Susan Rice: Actually, they are below those in the private sector. We benchmark salaries across all the water companies in the UK, and we can see that the salaries in Scottish Water are consistently below those in other companies. They are at the high end of what is paid out in the public sector here. They are in sort of an in-between space. The current chief executive, who took over seven years ago, came in at a salary that was 10 per cent lower than that of his predecessor. You do not often see that happening in the private sector, although sometimes you do.

We benchmark every three years against companies in the water sector, and we see that, typically, we are low, and, in the past six years, we have fallen below the median of the sector.

The Convener: Do you have any further questions, Alex?

Alex Neil: I am not convinced by what I have heard, and I think that there is an issue that needs to be addressed. However, I am happy to pass on to others.

Graham Simpson (Central Scotland) (Con): I would like to follow on from that. Who sets the salaries? Who decides what they are?

Dame Susan Rice: We have a board on which there are a number of external non-executive members who bring in a lot of expertise from outside. We have a remuneration committee that follows what is considered best corporate practice in that regard, as it only has members who are non-executives. It is chaired by an able and experienced person. We also have one non-executive director who has a specific remit, which is to have an understanding of the needs and requirements of the staff and colleagues in Scottish Water. He also sits on the remuneration committee, which considers comparisons and public pay. Above all, the remuneration committee does something that is very much best practice, which is to look at increases being given across the public sector and a number of other factors, such as what the rest of the staff in Scottish Water will receive by way of an annual increase, before it comes to a decision.

Graham Simpson: Earlier, you mentioned the infrastructure investment programme. What progress has been made on that? Has Covid had an impact on it?

Dame Susan Rice: That is an important question. There has been some impact, because, early on in the pandemic, the construction industry could not operate. Douglas Millican can give you a fuller answer.

Douglas Millican (Scottish Water): We are in the final couple of weeks of a six-year investment period. When the pandemic struck, we were five years into the six-year programme and, looking at the programme overall, we were running ahead of schedule at that stage. We hit a hiatus and had to close down all our construction sites for three to four months from spring last year, as Covid hit us all, but we remobilised the programme through the summer. Looking right across the six years, it is now fair to say that, broadly, the programme is on track.

Graham Simpson: Will you summarise what the investment programme is? As a layman, I guess that you are replacing pipes and stuff such as that. Will you give us a flavour of what the programme involves?

Douglas Millican: Yes, absolutely. We can cut it in a number of different ways. There is infrastructure below ground and out of sight, such as water pipes and sewers, and there are things that are above ground, such as water and sewage treatment plants and pumping stations. In that grouping, there is investment to replace infrastructure as it comes to the end of its life, and there is investment to improve the capability of assets to deliver a higher service or enhanced environmental protection.

Broadly, about 50 per cent—nowadays, it is pushing 60 per cent—of the investment is for maintaining or replacing infrastructure when it comes to the end of its life, which could mean a water pipe that is 120 years old or a piece of technology that is five years old. There is a diverse portfolio of infrastructure.

Graham Simpson: The Auditor General's report noted that Scottish Water had accumulated

"a cash balance of £391 million",

which sounds quite a lot to me. This question might be for Dame Susan. How much of that £391 million is permanent? Will you tell us a bit about your cash reserve strategy? I presume that you are not planning to hold on to that money.

Dame Susan Rice: The cash reserve strategy is related to prudence and managing a business, particularly one that has long-term investments. I will ask Douglas Millican to explain it to you and provide some numbers and detail.

Douglas Millican: We are in this position having had a really successful regulatory period, which is coming to a close. We have had success in generating additional cash savings, either through generating more income or saving on our expenditure and, because of that, we have committed to an additional £300 million of investment. The total investment associated with this regulatory period that we will ultimately deliver is around £300 million higher than we agreed back at the start of the period in 2015. The cash that we are sitting on at the moment is the result of a timing issue and it will be deployed largely in the completion of the investment programme.

On the other aspect of your question, as a business, we must always have a minimum level of cash. Before Covid, our long-term policy was to hold a minimum cash balance of £100 million. Given the experience that we have had over the past year, the board has reflected that we are so glad that we came into this year with a cash balance that is much higher than £100 million. Looking ahead to the next few years, our current view is that we should probably always hold at least £200 million.

Graham Simpson: I really appreciate your short answers. You are getting to the point, which is good.

You think that it is prudent to hold on to £200 million rather than £100 million, and you have said—I think—that you are committing to infrastructure the £391 million that you had at the end of March 2020. Is that correct?

Douglas Millican: The simplest way to look at it is probably that when we exit this year, we will have a similar cash balance to what we had at the end of last year. That will be substantially committed to completing the investment from this period, and a residual element will be there as part of our permanent cash balance to enable us to manage risks going forward.

Graham Simpson: My final question is probably one for you, Douglas. What are Scottish Water's future borrowing requirements? What plans do you have to repay your existing loans?

Douglas Millican: I will set this in a longer-term context. Over many years and many regulatory periods, we have invested significantly. Typically, if we look over that longer term, about 80 per cent of that investment has been funded through revenue from customers and about 20 per cent by taking on new borrowing, as we extend infrastructure to serve more customers or upgrade our infrastructure to deliver a higher-level service or environmental protection. That has been the situation in the past.

However, this is a decision that is ultimately made by ministers as the culmination of an involved process that runs for many years and results in ministers setting the principles of charging that apply to the forthcoming regulatory period. In the latter weeks of 2020, ministers confirmed the principles of charging that would apply from 2021 to 2027. As part of that, ministers looked at the expectation for what customers would need to pay for water services and the expectation for additional investments to be delivered, and said that their element would be to lend a little over £1 billion into Scottish Water over the next six years.

To come back to the question about repaying debt, I cannot envisage, in the foreseeable future, a position where our total level of debt will drop. As individual loans mature, they will get refinanced. I envisage that the total debt of Scottish Water will continue to grow, but on a proportionate and prudent basis relative to the size of our asset base.

Bill Bowman (North East Scotland) (Con): I have a question for Business Stream. When we had our briefing, we spoke to the external auditor and, if I recall correctly, we asked about an updating of the projections that the Auditor General had seen at one point and that the external auditor had seen at a later point. There were worst-case scenarios and better-case scenarios. What is your current view of the projections? Could you also speak about the projections for doubtful debts?

Johanna Dow: You are absolutely correct. We started with three different scenarios that we used to model debt and arrived at the range that was set out in the Auditor General's report. We have been monitoring performance against the mid-case scenario throughout the past 12 months. What is really pleasing is that our performance to date has been significantly better than we had forecast. If I look at the cash collection from customers, it is down markedly on previous years, but it is significantly better than we feared that it might be.

There is still a degree of uncertainty, as you will be aware. At the moment, the overall performance is significantly stronger than we thought that it might be, but we are also being quite cautious about what might happen over the next six to 12 months.

Based on our position at the end of February, as Susan Rice said earlier, we are reporting no need to borrow any debt at all this financial year, whereas previously we had forecast that there would be a requirement for £29 million of new debt.

Rolling those forecasts out into next year, we forecast that we will need to borrow about half of the £59 million of additional funding that we set out in our mid-case scenario, based on our projections. There are a number of key dependencies: the scale and pace of economic recovery is one, but the other most material one is any further regulatory actions in either of the two markets. However, having said all that, I am really pleased with performance to date, and, as I said, we are projecting that we will draw down only half of that facility.

09:45

Bill Bowman: Quite a bit of time and effort has been focused on Business Stream and its potential to require extra borrowing. It is good to see that it is perhaps not that bad a situation. Do you think that somebody perhaps overreacted and focused on that too much when, in reality, you are almost working your way through it yourself?

Johanna Dow: No, I do not believe so. We are dealing with something entirely unprecedented on a scale that none of us has ever experienced. As an organisation and responsible business, we took incredibly measured steps to look at a range of alternative scenarios. They were all plausible, but we approached it by looking at what could happen, hence the range that I talked about. We had the mid-case range, which is the one on which the borrowing forecasts were predicated, and we had a slightly better scenario and a significantly worse scenario. With the benefit of hindsight, it is easy to say that we might have been too prudent in our approach. I would argue that it is much better to be prudent in your approach than the opposite, which is to underestimate the potential scale.

I am content that all our assumptions were plausible, and that what we have experienced so far has not been as bad as it could have been. There is still that caveat that none of us knows what will happen over the next 12 months or so. However, on the basis of where we are today, I am pleased with performance.

Bill Bowman: Prudence is a good travelling companion.

I do not know about your commercial experience, but are you able to compare raising funds from a commercial bank with how easy it was to get that from your parent company?

Johanna Dow: Yes, absolutely. We had to comply with several steps, but the underlying principle was that we had to demonstrate that the terms of commercial arrangements were negotiated on an entirely arm’s-length basis and that the terms on which those funds were provided were state aid compliant. As the Auditor General commented in his report, and as KPMG commented in its report, that was a really extensive process. It was incredibly robust and involved multiple different independent external parties, some of which were advising Business Stream in our capacity as the borrower, and some of which were advising the Scottish Water board in its capacity as the lender. I can tell you from being on the other side of that that it was a very robust process and absolutely on a par with a similar situation in which you would negotiate with a commercial bank.

The Convener: As there are no further questions for the witnesses, I thank everyone for their attendance and their evidence. I will suspend the committee until 09:50, to allow for a change of witnesses.

09:48

Meeting suspended.

09:51

On resuming—

Covid-19 (Tracking the Implications for Scotland's Public Finances)

The Convener: Under agenda item 3, the committee will take evidence on tracking the implications of the Covid-19 pandemic for Scotland's public finances. I welcome our witnesses to the meeting. From the Scottish Government, we have Liz Ditchburn, director general, economy; Jackie McAllister, chief financial officer; Richard McCallum, interim director of health finance and governance; and Andrew Watson, director of budget and public spending.

I understand that the witnesses are content to move straight to questions from committee members. I would be grateful if witnesses could indicate who would be best placed to respond to each question.

The first questions are from Colin Beattie.

Colin Beattie: I have one or two questions about contingency planning. I hope that we will be coming out of the Covid-19 pandemic in the near future. Managing our way out of it is just as important as coping with it at the moment. What financial contingency planning has been undertaken during the pandemic?

The Convener: Can Liz Ditchburn answer that question or tell us who is best placed to answer it?

Liz Ditchburn (Scottish Government): Yes. The question is very much about money, so it would be good to hear from Andrew Watson on how we are building in medium-term financial planning in order to understand what the needs are against the requirements of the pandemic.

Andrew Watson (Scottish Government): I am happy to start on that question. I think that it relates to the current financial year but, as Liz Ditchburn said, we are very much looking ahead to the 2021-22 financial year and beyond that.

I have a couple of observations. First, we have built into the 2021-22 budget, which the Parliament has just agreed, about £3.6 billion of Covid consequentials. The money has been spread across portfolios, notably in the areas of health, business support and transport, but it has also been spread more generally. The combination of that and an overall increase in our core funding means that we have increased the majority of key budgets for next year, so that is quite a strong position to start from.

However, as the committee will be aware, there is a significant difference between the level of Covid funding in the budget this year and the level of Covid funding in the budget next year. Therefore, although we believe that we have allocated as best we can, we recognise that there will be pressures across public services. The Scottish Government has made representations to the UK Government on the overall level of grant funding that might be available next year but, at the moment, we have allocated the budget that is available to us.

Going forward, one of the key points will be the way in which we mobilise all our resources in response to Covid. In the current financial year, there has been a focus on specific Covid funding, whereas the challenge for us in future will be about how all our programmes contribute to the recovery.

I point to our medium-term financial strategy. Despite the high degree of uncertainty that faces us, the Scottish Government decided that we should set out some medium-term financial planning alongside the budget. The committee recently took evidence on our infrastructure investment pipeline, on which we have set out a five-year plan. In the medium-term financial strategy, we set out the fiscal outlook for Scotland and a run of numbers on the budget position. We are trying to set out the overall framework as best we can.

As Ms Forbes observed during the budget process, our budgets might change. We are therefore working closely with delivery partners and portfolios to explore the costs that might emerge in the year ahead. However, the further out the forecasts go, the more uncertainty there is on precisely what will need to be spent. The possibility of further changes happening in the budget during 2021-22 is therefore fairly high, so we need to remain flexible and nimble.

I hope that that answers the question.

Colin Beattie: It does to an extent, but I am still a little unclear as to what the actual financial contingency planning process is. You mentioned one or two areas, but what are the main areas in which you are focusing on financial contingency planning? What risks have been identified and how have you identified them? You must have a process.

Andrew Watson: I am happy to start on that, but I might bring in my colleagues. Richard McCallum might want to comment on how the health service is preparing for some of the significant issues in that area.

During the current financial year, we have had detailed processes of engagement with all the portfolios in the Scottish Government. There are key milestones in the course of the year at which they give us their updated assessments of costs and risks. We very much build that into the forward look for the budget for the next year.

One key thing that we will need to do is move money in step with the overall coronavirus road map. The First Minister has clearly set out the latest thinking on the overall road map, and the money very much needs to follow that. We envisage a financial road map over the year ahead, with key milestones. We will bring in the latest forecasts from portfolios about the needs that they are identifying, which will bring choices for us.

Clearly, we have the election coming up, so one of our key milestones will be to pull together for an incoming Administration the latest and most accurate set of assumptions that we can on the costs.

My colleagues might want to comment on some of the more specific risks, such as those in the health space.

Richard McCallum (Scottish Government): From a health portfolio perspective, we are looking at the issue through three lenses.

First, there is the underlying position that health boards and integration authorities are managing. That involves their financial assumptions, almost pre-dating Covid, and the on-going management of finances in the national health service system.

There is then the lens of the additional specific Covid-related costs that have emerged, some of which have almost a non-recurring nature—for example, the costs associated with personal protective equipment, test and protect, and vaccinations—and ensuring that there is sufficient funding to support investment in those areas.

10:00

The third lens, which I suppose relates to the particular points that Mr Beattie is raising, is about what that looks like in the longer term as we recover from Covid. It is about how much of what we are currently spending on things such as vaccination could potentially be required not just in the short term but in the longer term. With health boards and integration authorities, we are working through the potential for some of those things to have a longer-term impact and the potential costs associated with that. Andrew Watson mentioned the financial framework for the whole of Government; through a health and social care lens, we are looking at what the financial challenge is likely to be for the health and social care system in the next three to five years and beyond.

Colin Beattie: Have you broken down the financial risk and so forth for each major component area in the budget?

Richard McCallum: We have done that for health. We have looked at areas such as social care, the vaccination programme, test and protect, the NHS and the recovery that will be required by health boards. That is the approach that we are taking in health, but Andrew Watson and my other colleagues might want to say something about the position more generally in Government.

Andrew Watson: We have a detailed process of monthly forecasting across Scottish Government budgets. Clearly, the emerging impacts of Covid will be part of that. To give some assurance, we provide that overall assessment month by month, looking across the full suite of Scottish Government budgets. That is partly done through a process that involves embedded finance business partners working actively with each of the portfolios to ensure that the forecasts and assessments of risk are as accurate as possible.

Liz Ditchburn might want to add something to that.

Liz Ditchburn: I was thinking that, in the way that Richard McCallum talked about health, I would offer the example of how we think about the issue with respect to the economy. Obviously, the extent to which we need to provide business support or the extent to which we can move to providing support for recovery depends on what is happening in the pandemic, such as whether businesses still need to be closed as a result of the public health restrictions that we have to put in place, and what is happening in the economy more broadly.

We continually track what is happening in the economy and for businesses in different sectors. We look at the cumulative impact on businesses that have not been able to trade or generate revenue and at the levels of cumulative challenge relating to cash flow and debt levels. We look at those issues and a range of other things to help us to understand the current health of the business base. We then consider what the implications would be of providing, for example, additional business support. We do contingency planning, which Mr Beattie asked about.

As Andrew Watson outlined, we have a road map, which the First Minister laid out. That is our core plan and what we hope will happen, and we base our budget on that. However, we have to recognise that, if things in the pandemic changed in a negative way and restrictions were needed for longer, that would impact on businesses, which might have to stay closed for longer, and so generate additional requirements for business support.

That is the kind of planning that we are doing. We are always testing scenarios. We have a core plan that sets out what we hope will happen, but we have in place arrangements to assess needs if things were to change and to then build that back into the decisions that ministers take about funds.

That was just to complement Richard McCallum's example about health.

Colin Beattie: Do you take into consideration the impact of different funding and spending scenarios on the national performance framework outcomes?

Liz Ditchburn: Absolutely—that is one of the things that is always being tracked. Andrew Watson might want to give more detail about how that falls into longer-term budgeting, the spending review and so on but, obviously, we are always seeking to achieve the national performance framework outcomes.

This year, we have been looking at the risks to those outcomes, the most recent data that we have, the changes that we can see as a result of Covid, which indicators are most off risk, which things look as though they will be particularly challenged, and how we can put mitigation in place for that. A theme that comes out strongly when we look at the national performance framework and what has happened as a result of the Covid pandemic is that some of the inequalities are at risk of worsening or are, indeed, already worsening. That tells us that we need to target particular actions at trying to reduce the level of inequality that might result from Covid.

The national performance framework is always there, and it drives some of our immediate spending choices as well as medium-term and longer-term choices.

I do not know whether Andrew Watson wants to say more about how he thinks about that in a medium-term and spending review context.

Andrew Watson: I was going to make a similar point to the one that Liz Ditchburn made about the emerging evidence of the unequal impact of Covid on society and the outcomes. That is a key point going forward. I am conscious that there is an on-going dialogue with Audit Scotland, for example, about how we can use the medium-term financial strategy and future budgets to set out a more direct line between the way that budgets are allocated and the impact on the outcomes. That will definitely be prioritised as we deliver future budgets and the next iteration of the medium-term strategy.

Colin Beattie: Thank you. Back to you, convener.

The Convener: Alex Neil, please. Oh—he is not there. Graham Simpson, please.

Graham Simpson: Right, I will step into Alex's shoes. I will move in a slightly different direction and ask about the framework for investment in private companies. As you will know, there have been a number of high-profile cases—BiFab, Ferguson Marine, Prestwick airport—where the Scottish Government has put money into companies that has, in effect, been lost. A massive amount of taxpayers' money is no longer with us and there is no prospect of getting it back. The panellists know that the Auditor General has been asking the Scottish Government to produce a set of principles on which to base such interventions in future. Where is that?

Liz Ditchburn: I will come to all the points that Mr Simpson raised but, by way of context, it is important to say that there are a lot things that we do in investing in the private sector and I think of those in three categories.

The first category is the proactive investment for growth that we make, whether that is through the new Scottish National Investment Bank, Scottish Enterprise and the other agencies or schemes such as the Scottish growth scheme. That is where the bulk of the money goes. That is us saying, as a country, that we want to invest in companies that can do good things for Scotland and where we see a role for us. The way in which those schemes operate—the objectives, principles and means by which they make choices—is all laid out in detail. The new bank has a set of missions, which is a new approach: mission-driven investment. That is category 1 and it is a lot of what we do; it is certainly the majority.

Category 2 is a much more reactive set of support, which is for companies in crisis. Because of Covid, this conversation is very different from the one that we would have had even just over a year ago. We have obviously had to put very significant funds into companies this year to support cash flow. That is lifeline support the likes of which we have never seen before. We have provided much of that in grant form but, in addition, the UK Government has had some significant loan schemes that companies in Scotland have been able to access. However, there are potentially further challenges ahead for many companies.

That second category—reactive support that we have had to provide in this emergency situation—also draws from a series of principles. An example that I will say a little bit more about is the pivotal enterprise resilience fund, which had a very clear set of principles and was starting to help us to make choices about which companies we see as key and where we needed to do something specific. That is an important part of the overall picture.

As you say, there are then the high-profile, one-off cases, which are often policy driven. They do not form a blanket category of businesses that we choose to invest in. Instead, we intervene in response to particular situations. For example, in the case of Ferguson Marine, the contractor had failed but island communities still needed the lifeline services. At that point, the Government made a choice about the right way to get the ferries completed, save the jobs and give the yard a future if possible. That was very much driven by a contractor failure; we had to respond to that failure and work out what to do. A range of options were appraised, which eventually took the Government to a final decision to take Ferguson Marine into public ownership.

The BiFab case was different. It was about how the overall market for renewables and the supply chain could continue to operate in Scotland, and a deal was done to support the involvement of a new investor. Sadly, as everyone knows, that has not worked out as was hoped, and an administration process is going on.

The sale of Prestwick airport was driven by different things again. It is a strategic asset for the whole of Scotland and there was a strategy to take it into public ownership with a clear intention to return it to the private sector.

Those cases were all different and they were driven by different things. They do not form a category of cases where people decided to do things for a blanket set of reasons to do with private investment. Those one-off cases are driven by extensive internal and external advice. Audit Scotland has been able to look at all those transactions in detail, both at the time when they happened and subsequently, and everything that we do is underpinned by the requirements of the Scottish public finance manual.

We have been in conversations with Audit Scotland and the committee for some time about how we can crystallise all that into a single framework. I will give you an update on that. We have always believed—and we still believe—that the Scottish public finance manual underpins everything and, over the past couple of years, a lot more detailed guidance has been put into it to help people who make decisions, particularly on loans, equities and guarantees. The principles work that we have done in the context of Covid has added another dimension to the ways in which we can think about the choices that Governments need to make.

As I hope Audit Scotland would recognise, we are continually in dialogue with it on the matter, and we are learning, drawing from experience and continuing to improve. We have a set of principles that we will integrate into the SPFM, which will help to guide the decisions that Governments need to take. I can say a bit more about the principles if you like, or maybe I should pause there and check whether you want to go back to anything that I have said.

Graham Simpson: My question was, "Do you have a set of principles?" I think that you are saying that the answer is yes, but we have not seen them. Are they going to be published?

Liz Ditchburn: They will be integrated into the SPFM. We are finalising the process of developing them, but I can talk to you in broad-brush terms about what they are. I do not think that they will come as any surprise to you. They are the sort of principles that you would, I hope, expect us to use. As I said, they sit in the context that much of this is already expressed in the SPFM and other documents. I will mention the key steps that we would expect people to go through, which will be in the principles.

First, we should always ask ourselves whether the company that we are considering has exhausted all other forms of support. It is an important principle that options in the private sector finance capital markets, options for other forms of support—such as some of the current UK schemes—and options of other existing Scottish Government or other agency mechanisms have all been exhausted. The first step is to check whether all other options have been exhausted.

10:15

Secondly, we go through a very clear business case process. We use Her Majesty's Treasury's five-case business model, which works extraordinarily well—it is a very helpful set of things, and we use it anyway. As I am sure you are aware, the five cases are the strategic case; the economic case; the commercial case; the financial case; and the management case. The strategic case looks at what we are trying to achieve, what the purpose of intervening would be and what the impacts would be. For the economic and commercial cases, we look at the risk and return and what the market would do—whether it would operate in a similar way. There is a whole set of detailed due diligence around the financial and management cases, with regard to what would be necessary to successfully do the transaction, if it were a transaction, and to manage a stake, if a stake were taken.

It is also important to remember that a great deal of what we can do is not always about financial support. There is always an assumption that we jump to financial support, but we do not. We get to financial support only if all other forms of support have been exhausted. For example, Governments have convening power, so we can bring parties together and try to broker commercial arrangements between parties rather than necessarily intervening ourselves. All those things have to be absolutely exhausted before we get to the point where we say, “This is the right thing for us to do,” and then there is a very detailed process of due diligence, which is laid out in the SPFM. Obviously, any deal that we do with the private sector needs to meet the accountable officer tests of regularity, propriety and value for money. That is all in play.

The Convener: Graham, does that answer your question?

Graham Simpson: I guess so. I suppose that it is encouraging that that is being worked on, so I will wait to see the final details. My final question is related to that. Have you developed a database of companies that are strategically important to Scotland?

Liz Ditchburn: Over the course of the pandemic, we have been doing work with Scottish Enterprise, which also informed some of the work on the pivotal enterprise resilience fund. Scottish Enterprise has developed a database of a range of companies that looks at issues such as which companies are sectorally important, which are important for exports, which are important for particular supply chain criticalities, and which have particular local economic impacts—a company might not be of a scale that makes it critical nationally, but it might be critical in a particular area because, for example, it is the biggest employer. Therefore, Scottish Enterprise has a database—the work is a live thing—that is pulling together insight and intelligence from its own interactions with business and intelligence from the other enterprise agencies and Scottish Government.

That enables us to do some interesting modelling. For example, we can run scenarios through it. We were able to use it to assess what the economic impacts of exit from the European Union would be on which kinds of firms. We have been able to look at what happens to particular kinds of firms with respect to the pandemic and to cross-refer those so that we can see, for example, which firms are most at risk of multiple risks and what might happen if those risks were realised. It is not an algorithm—you do not turn the handle and get an answer out—but it is a database that enables us to understand and play around with that data on the core company base.

Bill Bowman: I want to move on to the subject of whole public sector accounts. I hope that somebody is familiar with that and can give us an answer. At the end of session 4, our predecessor committee indicated in its legacy paper to this committee that it had

“received an undertaking that the Scottish Government would share proposals for progressing Scottish consolidated accounts for the whole ... sector”

with the committee

“in the early part of 2016.”

The session 4 committee commented that, in its view, there was

“not yet ... a clear commitment to realising”

the Auditor General’s

“recommendation for public sector consolidated accounts”.

Throughout this session—every year, I think—this committee, supported by the Auditor General, has raised with the Scottish Government the topic of progress on those accounts. I have asked the permanent secretary about that twice, I think, and been told twice that they were coming. Every year that they do not come, of course, the data from one year drops off. Will one of you explain why, as we reach the end of session 5, we still do not have whole public sector accounts, nor a clear timetable as to when those will be produced?

Jackie McAllister (Scottish Government): I will take that question. The permanent secretary wrote to the committee on 19 February to reiterate our commitment to whole public sector accounts—we are similarly keen to progress that agenda.

The exercise is quite significant and not straightforward. It involves consolidating the accounts of a number of organisations, some of which have different accounting standards. Despite that, progress has been made. Prior to the pandemic, draft 2017-18 statements were developed and were shared with Audit Scotland. We also made good progress on the 2018-19 equivalent but, unfortunately, that had to be halted, due to Covid and the conflicting priorities and pressures at that point. The process for the 2019-20 consolidated accounts did not conclude until December 2020, and the whole public sector accounts cannot happen until after those accounts are complete and audited. Unfortunately, therefore, the current context means that the 2020-21 accounts will probably not conclude until December 2021. That will push the process back further. However, we want to make progress on where we have got to, to date.

We also recognise that the process will be iterative and will develop over time. We would like to look at that first level of aggregation fairly quickly—possibly for the 2019-20 accounts. We are very keen to talk to Audit Scotland about what that process will look like, and we intend to do so in the coming weeks. As part of that, we also want to be clear with Audit Scotland about what the audit assurance for those statements is going to look like.

Bill Bowman: I thank you for that. However, the situation has been going on since 2015. I appreciate that, if someone is a chief financial officer and someone else comes along and says, “By the way, could you just do this extra work?”, that is the last thing that they will be thankful for. If they are going to approach it seriously, either they have the resources or they bring them into their organisation or get someone such as a consultant to help them.

The whole committee, I think, has been frustrated, because we get virtually the same comment each year. Now, of course, Covid is a reason—I will not say that it is an excuse—for delay. Are you able to say that those accounts will be produced and tell us the year for which they will first be produced?

Jackie McAllister: Clearly, an important factor is that the information is timely. We would need to look at the value of producing information for years that are quite some distance in the past. We will go back and look at that. However, I can commit that we will actively look at doing that iterative process—we will be looking to consolidate on a fairly gradual basis, but I can commit to looking at a level of consolidation beyond what we currently have in this financial year—yes.

Bill Bowman: That does not give me much comfort, to be honest, but I do not put that down to you.

The Auditor General has also made the point that, given that the Covid funding arrangements are getting more complex and that we know that some things are outside the boundary, it becomes more essential—I think that he used that word—that we have those accounts sooner rather than later. I really do not understand why you cannot just say that you will do it and will put the resources there, wherever they come from, to do it.

Jackie McAllister: Thank you for that comment. I will definitely pick that up with Audit Scotland and explore it further.

Although it would be helpful if the whole public sector accounts were published, I am not entirely convinced at this stage that they would materially change the insight into Covid then. One reason is that those are aggregated accounts, so they would provide less detail than would be in the accounts of the individual entities. Also, the nature of the consolidation means that the flows of funds between the Scottish Government and those entities would, in effect, be netted off, so some of that transparency might be lost.

The second point is about timeliness. We would be relying on those entities producing their accounts; for 2020-21, we would expect those to complete in December. The timescale for this might not be helpful.

However, I would flag that the funding from Covid is being dispersed through numerous bodies. Some of that has been core funding, and some of it has gone through specific funds, but all those bodies will have their annual accounts audited—the majority by Audit Scotland, and some by the Accounts Commission. The Auditor General has said that their audit work can follow the pandemic pound. We should still be able to get comfort to do that.

Bill Bowman: Okay. I am aware of the difference between aggregation and consolidation.

In conclusion, if timeliness is your argument, I have a suspicion that this might never happen, because it always seems to be coming afterwards. We have been trying to get something since 2015. I am sure that, once you have started, the whole process will flow much better. However, from what you are saying, I do not feel that we have any more information or confirmation on when these will happen, if they happen.

Thank you for that.

The Convener: Alex Neil, do you still want to ask a question?

Alex Neil: I think that my questions have been covered, convener.

The Convener: As no other members have questions for the Scottish Government panel on the report, I thank all the witnesses for their evidence this morning.

Before we move into private session, as this is our final scheduled meeting in the Parliament’s session 5, I want to put on record the committee’s thanks to Stephen Boyle, the Auditor General for Scotland, his predecessor, Caroline Gardner, and Audit Scotland’s staff for their hard work and extreme professionalism in supporting the Public Audit and Post-legislative Scrutiny Committee over the past five years. Their reports and the evidence that they have provided us have been invaluable, and I am sure that our successor committee will be as grateful as we have been over our time.

I also thank all the members of the committee, past and present, for all their work during the session. In particular, I thank my two deputy conveners, Liam Kerr MSP and Graham Simpson MSP, for their support to me and to the committee.

Finally, I thank all the parliamentary staff who have provided support to the committee throughout the session—the clerks, the official report, media, the web team, the Scottish Parliament information centre, outreach, broadcasting and security. We would not be able to do our work without you. In particular, I would like to thank our clerks for their immense hard work—Lucy Scharbert, Alison Wilson, Alanis McQuillen and Keith Currie. Their advice and hard work have been invaluable to me and they have made the committee run extremely well.

It has been a privilege for me to lead the work of the committee. I thank the members for all their work.

10:28

Meeting continued in private until 10:46.

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Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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