OFFICIAL REPORT
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Finance and Public Administration Committee

Tuesday 3 May 2022

Session 6

The Scottish Parliament
Pàrlamaid na h-Alba

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FINANCE AND PUBLIC ADMINISTRATION COMMITTEE
14th Meeting 2022, Session 6

CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

DEPUTY CONVENER

*Daniel Johnson (Edinburgh Southern) (Lab)

COMMITTEE MEMBERS

*Ross Greer (West Scotland) (Green)
*Douglas Lumsden (North East Scotland) (Con)
*John Mason (Glasgow Shettleston) (SNP)
*Liz Smith (Mid Scotland and Fife) (Con)
*Michelle Thomson (Falkirk East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Lesley Fraser (Scottish Government)
Dr Domenico Lombardi
John-Paul Marks (Scottish Government)
Jackie McAllister (Scottish Government)
Professor Graeme Roy

CLERK TO THE COMMITTEE

Joanne McNaughton

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Finance and Public Administration Committee

Tuesday 3 May 2022

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Kenneth Gibson): Good morning, and welcome to the 14th meeting of the Finance and Public Administration Committee in 2022. Under agenda item 1, does the committee agree to take item 4 in private?

Members *indicated agreement.*

Scottish Fiscal Commission (Appointments)

09:30

The Convener: The next item is evidence on two nominations for appointment to the Scottish Fiscal Commission. As members will be aware, the Cabinet Secretary for Finance and the Economy wrote to the committee recently, nominating Dr Domenico Lombardi as commissioner and Professor Graeme Roy as a new chair of the commission.

Members have received copies of the nominees' application forms and CVs, along with the person specifications for each role. We will take evidence first from Dr Lombardi, and then from Professor Roy. We have up to 60 minutes for this item.

I welcome Dr Domenico Lombardi, who has been nominated as commissioner. We will move straight to questions. Dr Lombardi, you have a very impressive CV, as one would expect. You obviously have a lot of experience internationally. Will you tell us a wee bit more about yourself—about you as a person, as opposed to your work—and about why you want to become a commissioner of the Scottish Fiscal Commission?

Dr Domenico Lombardi: Thank you, convener, for this opportunity. I have acquired experience in the area of multilateral organisations and the management of economic policy, in research institutes and most recently in financial institutions. The interest that has driven my career has been to better understand the complexities and intricacies of economics. I have an academic background. I did a doctorate in economics and I have published extensively on macroeconomics, both in international academic journals and in policy and professional outlets. I have also been exposed a lot to policy decision making and policy processes at both national and international levels. I have been exposed to the trade-offs that policy makers must make as they seek within constraints to optimise opportunities.

I applied for the job as a commissioner because I am deeply interested in learning about and understanding better the complexities of the Scottish economy as it relates to the broader United Kingdom, European and world contexts. That is what has driven my interest, and that is what I have been sharing with the interview panel. That is the reason why I am here, ultimately.

The Convener: Thank you. That is very helpful. How familiar are you with the Scottish economy and the balance between reserved and devolved powers?

Dr Lombardi: To be fully transparent, I am not a Scottish economy expert. The value added that I hope and am confident that I will bring to the table is more an international and comparative perspective, as well as the method that I have been learning by working in several national institutions and international organisations and by being part of international think tanks. That is the value added that I believe I could bring, rather than having specialised, detailed knowledge of the Scottish economy at the moment. That said, I am a quick learner. I am eager to learn and I am willing to catch up as fast as I can.

The Convener: What do you feel would be the most challenging aspect of your role as a commissioner?

Dr Lombardi: There are several challenging aspects. First, the commission has a mandate to forecast macroeconomic and fiscal variables. As we all know, forecasting is not a perfect science and is not deterministic, so one has to use a sound method and an eclectic approach, and one also needs to exercise some judgment. What is required is not a bottom-up or a top-down approach, but a bit of everything. In the end, one has to be confident that, when one puts one's name and signature on a document, it really is the best that one can do.

The most important and relevant aspect is to ensure that the forecasting follows the best possible practices nationally and internationally. Independence is also a key requirement, of course, and I am perfectly aware of and deeply sensitive to that. With my international background, I will be able to bring a fresh pair of eyes and, again, I hope to be able to bring that to the table.

The Convener: Thank you for that and for your earlier response. I will open up the session to colleagues round the table. The first person to ask questions will be John Mason, to be followed by Daniel Johnson.

John Mason (Glasgow Shettleston) (SNP): Welcome to the meeting. Reading your CV, it strikes me that you have moved in quite high circles, such as the International Monetary Fund. Why do you find Scotland interesting? We are quite a small country—there are only 5 million of us.

Dr Lombardi: To be perfectly fair, I lived in a much smaller country, which is the republic of San Marino. When I was on the board of the International Monetary Fund, we used to represent a number of countries including some very small ones—Malta and San Marino—so I was exposed to the complexities of interrelated economic contexts.

To come to the thrust of your question, I note that San Marino is not a member of the European Union, nor is it a member of the eurozone. However, it has a customs union with the EU through Italy and it relies on the euro even though it is not part of the eurozone. Those are all fascinating and intellectually challenging issues and questions and they are relevant from a policy viewpoint. I hope that I have addressed your point.

John Mason: Yes. That is fair. I was just interested.

I accept the fact that you are fairly new to Scotland and you are still learning but, from what you know of the Scottish Fiscal Commission, are there things that you think that it has done well? Do you see any particular areas for improvement?

Dr Lombardi: I have of course looked at what the commission has done. The way in which it presents issues is very helpful. That is part of a broader trend. There is an emerging literature in economics that points to the importance of making the broader public understand how policy making is done and how to appraise economic policies. The more that one is effective in conveying information, even through infographics, to ensure that things can be read and understood by the broader public and not just by those in a specialised economic stream, the more value added is provided. That approach also clearly fulfils the institutional mandate that has been entrusted to the commission.

John Mason: I am interested that you mention the broader public. I do not think that the broader public even know that the Scottish Fiscal Commission exists, let alone—

Dr Lombardi: It is still a young institution, and that is a challenge that all young institutions have to face, in a way.

John Mason: Do you think that we can raise its profile a bit more?

Dr Lombardi: The commission would need to look at that. In my experience, especially from think tanks and economic policy research institutes, what people do and the analysis that they produce is important, but its dissemination is equally important. This is not the result of econometric analysis, but my subjective assessment is that each of those two components carries a weighting of roughly 50 per cent. If we do not disseminate information, do outreach and let the stakeholders understand what we do, there is clearly room to improve.

Daniel Johnson (Edinburgh Southern) (Lab): I begin, in contrast to my colleague John Mason, by saying that I totally understand why someone would be interested in coming to a small country, but one with very strong links to the other

countries on these islands and indeed with Europe. However, one of the issues with small countries is that they sometimes do not see far beyond their borders. Especially when we are looking at the challenges that are in front of us right now, it is really important to be alive to the global economic issues.

With that in mind, and given your experience in San Marino, what do you think the issues are and how can smaller countries overcome those challenges and look beyond their boundaries?

Dr Lombardi: As an economist focusing on Scotland and the Scottish economy, it would be important to appreciate macroeconomic risks, sources of fiscal risk and how they would translate into forecasting because, after all, the hard mandate of the commission is to make sound and reliable forecasts.

There are clearly a lot of constraints. Some of them can be explicitly modelled while others require some judgment. At the end of the day, however, the role of a commissioner and of the commission as a whole is to make sure that those constraints and the intricacies, complexities and interrelations translate into sound forecasting and sound forecasts.

Daniel Johnson: The most recent Scottish Fiscal Commission report, which came out in December, was very interesting and revealing. Some of the issues that it discusses are ones that the committee has pursued vigorously. However, even in the short time since that report was published, a lot has changed. We have seen the war in Ukraine and its impact on energy prices, which has fuelled inflation. That was already a concern, but it has been amplified. It strikes me that we are dealing with times in which we are having lots of black swan events. Further back, we had the credit crunch just 10 years ago, and these things seem to be happening more regularly.

Given that the commission's role is to forecast, what is your view on how we can anticipate and accommodate such risks? Once such things have happened, how should we revise our forecasts? Will you give us some thoughts on how we deal with that?

Dr Lombardi: That is a very relevant question. As I said at the outset, forecasting is not a deterministic science and it requires an eclectic, multitextured approach. You mention a key issue—it seems that we are going through a change of regime right now. Let us look at what is going on in the global energy market and at the recent inflation dynamics. Until a few months ago, we had the opposite problem—there was low inflation, not just in the UK or in Europe, but worldwide.

It is clear that mainstream econometrics can help only so much at this time. We need to bear in mind that, because there might be a change of regime, some parameters that were estimated in a completely different context might not be so robust when we predict future outcomes. That is why one has to rely on surveys and short-term time series modelling.

09:45

At the end of the day, one has to rely on one's experience, use a degree of judgment and be able to quickly recognise changing patterns. In other words, one has to try to be open and be able to recognise change, which means using a lot of high-frequency data. In other, more stable contexts, lower-frequency data might be okay, but here we have to look at high-frequency data and consider what people expect and how they might react to what is going on.

We have to try to bring those expectations back into the modelling and at least make sure that what we forecast at this stage fully and efficiently reflects the information that is at hand. It might not be perfect and there might still be forecasting errors, but at least we will offer a best practice approach from the point of view of the method, the methodology and the rigour.

Daniel Johnson: Does the Fiscal Commission do those things sufficiently in its forecasting? Does it monitor the risks and incorporate the measures and techniques that you have just outlined?

Dr Lombardi: From what I know from what I have seen in the documents, the commission uses an eclectic approach. I have not looked into the detail because I am still not privy to its internal work, but I have seen from the outside that the commission relies on an eclectic and multitextured approach, so the ingredients are there. If my appointment is confirmed, I will need to look at how to recalibrate or re-parameterise the different ingredients, given the current context.

Liz Smith (Mid Scotland and Fife) (Con): Good morning, Dr Lombardi. You have correctly identified that forecasting is by no means an exact science—I could not agree more with that comment. From your international expertise and considerable experience, do you believe that there are countries around the world where the accuracy of forecasting is a little better, because of the modelling that is used? Would we be able to apply some of the best practice to what the Scottish Fiscal Commission does?

Dr Lombardi: You need to be able to reconcile what the economic science and economics literature have developed, and you need to translate to contextualise those findings, so there is no one-size-fits-all approach. Therefore, it is not

a purely academic exercise—I say that very respectfully. You have to reinterpret the findings of an economics literature to the situation that is before you.

In my experience, I have seen very sophisticated modelling—best-practice modelling—and I am confident that I would be able to bring to the table at least some benchmarks and comparisons, and perhaps some different or similar ways of working. One has to be honest and recognise that, in economics, there is not always a straight way of doing things. The reality and context that you are trying to interpret or assess change over time, as we talked about a minute ago.

Whatever was working until, say, six months ago may therefore not be working well any more, not because the modelling was wrong but because the situation has changed.

Liz Smith: I asked the question because, if we measure forecasting over a period of time, some countries appear to my mind to be more accurate, shall we say, than others. I am interested to know why that is. However, that is perhaps for another day.

One of the challenges that this committee comes across, as do many policy makers in Scotland, is that we are presented with two sets of forecasting—namely, that of the Scottish Fiscal Commission and that of the Office for Budget Responsibility—and there is a time lag between them, which can complicate things. When we get one set of statistics, other things can happen by the time we get the next set. Will you tell us a bit about how you intend to address that issue?

Dr Lombardi: Because the OBR and the Scottish Fiscal Commission are independent institutions, they will always process the ingredients, or input, that I referred to before in a different way. It will therefore always be likely that the two assessments will differ somehow, because they come from two different assessments that are independent.

That said, it is important to have a strong dialogue between the two fiscal institutions because, ex ante, you can better discuss the hypothesis that you are relying on and compare the methodologies. If there is some improvement to be made without compromising independence, one has to be humble enough to recognise that.

Again, that is not a clear-cut answer, because I do not think that there can be one. As long as they are independent, they cannot be perfectly overlapping. In a way, that is also a test of their independence. On the other hand, having a close and frank dialogue with the OBR is key for the commission, and vice versa.

Liz Smith: That is very helpful. One of the bigger challenges is about the timescale and the lag between the different sets of statistics coming out, albeit that they are independent. The committee has certainly had some difficulty with that challenge, in that witnesses have given evidence to the committee arguing that their job is very difficult because of that time lag. It is an interesting challenge.

Michelle Thomson (Falkirk East) (SNP): Good morning and thank you very much for attending. I agree that your CV is remarkable; indeed, when I was preparing for today, I wanted to go away and read a lot of your articles, but I simply did not have time.

I have a few questions. What time commitment are you able to give to the role and what challenges do you see to that time commitment?

Dr Lombardi: As I said at the outset, I decided to apply for the role as a commissioner because I am deeply interested in the issues that I would be exposed to and the learning that I would be able to generate for myself—I hope also for others, but certainly for myself.

I spoke to my interviewing panel about the time commitment, so thank you for allowing me to reiterate what I told them, because it really underscores the reason why I applied for the position. I have offered all the time that is required and expected or simply deemed helpful. Likewise, I have offered my availability to come to Scotland every time that that is helpful and required or simply expected. I would be doing so—if my appointment were to be confirmed—because, as I said, I am deeply interested in the role of commissioner.

Michelle Thomson: As has been commented, the Scottish Fiscal Commission is a relatively new institution. In that respect, its culture is still forming. However, in Scotland, we have a challenge in that the economic culture is often influenced by the gravitational pull of London, the south-east, the Bank of England and so on.

I was going through your CV and I noticed that you have written a couple of articles in which you reference

"Uncertainty, Irreversibility, and Heterogeneous Investment Dynamics".

Perhaps that picks up on what Daniel Johnson was talking about earlier. How can you bring your international experience to influence some of the prevailing economic culture that resides in the UK, considering the backdrop of where we have been with the financial crash in 2008 and so on?

Dr Lombardi: I can confirm that I have no links with UK institutions, whether in London or

elsewhere, apart from some affiliation that I share with my alma mater, the University of Oxford.

You refer to some of my papers, in which I assess the statistical properties of macroeconometric processes or statistical distributions. When we aggregate those micro processes into a macro time series, what sources of bias does that aggregation entail and how can we correct for those sources of bias? That is clearly relevant.

There are some sources of bias that we can investigate, appraise and quantify ex ante, and that has to be introduced into the methodology. However, the limitation of that approach is that it relies on past data. We must, therefore, be open to recognising that those parameters might not fully or accurately describe the situation at hand. That is why a sound and eclectic approach is needed. I have studied a lot of econometrics and I have applied a lot of statistics and econometrics to macroeconomic processes, as well as to broader macro time series.

Michelle Thomson: Thank you. I suspect that we could talk about that for some time yet.

To what extent do you think that, with guidance from you and the rest of the team, we could turn some of the outlook of the Scottish Fiscal Commission into leadership, moving away from the prevailing view of the world in the UK? Do you think that you would be able to influence that?

Dr Lombardi: Certainly, I hope to fulfil all the expectations that come with being a commissioner. Wherever I have been, I have tried to bring some innovation and to leave a mark on what I have tried to do. Looking at what other fiscal councils do is always a good thing and provides a good lesson.

My commitment would lie in trying to assess the methodologies, ensuring that they can be rapidly adapted to the evolving circumstances that we are going through. This would need to be agreed within the commission, but I would like to establish strong links with other fiscal councils. I referred earlier to having a strong dialogue; from a methodological point of view, the same could be said for fiscal councils in other countries.

Douglas Lumsden (North East Scotland) (Con): From what you have read so far, what do you think are the key challenges that the Scottish economy faces at present?

Dr Lombardi: The Scottish economy faces a number of challenges because, being part of the UK, it has some policy levers but those levers can only partly address the challenges that the economy has to face. There is clearly an issue with demographics, and there is an issue with devolved fiscal policy.

All those aspects need to be better understood and translated into sound forecasting. It is not a clear-cut case, because there are many interrelations that are not textbook-like. The effort should go first into understanding those interrelations accurately and trying to model them, to ensure that the forecasting that follows as a result is defensible, rigorous and accurate.

10:00

The Convener: Thank you very much. That concludes our questions for the moment. We will let you know, Dr Lombardi.

Dr Lombardi: Thank you very much, convener and members of the committee.

The Convener: I call a five-minute break so that members can get coffee and so on before Professor Roy steps up to the plate.

10:01

Meeting suspended.

10:03

On resuming—

The Convener: I welcome to the meeting Professor Graeme Roy, who is nominated as chair of the Scottish Fiscal Commission. As before, we will move straight to questions. [*Interruption.*] Who stole my questions during the interval? Ah, that is what it is—I wrote them on a completely different set of paper.

You have made it clear in your statement that you are passionate about the Scottish economy, Professor Roy. Why do you want to chair the Scottish Fiscal Commission and what would you change, introduce and improve to enhance the work of the commission?

Professor Graeme Roy: Thank you for the opportunity to come along today. It is a privilege to be nominated and it would obviously be an honour to take up the role, if that were approved.

With regard to being passionate about the Scottish economy, I have been working in and researching the Scottish economy and fiscal policy since about 20 years ago, when I started my PhD on fiscal decentralisation, before tax devolution was really a major thing in Scotland. In the past 20 years, I have had a variety of roles, as a civil servant and as an academic, looking at the Scottish economy and fiscal policy issues. That longevity demonstrates the passion that I have for the role and for seeing Scotland succeed. In that time, more powers have come to this Parliament and an independent Fiscal Commission has an important role to play in that landscape.

You asked what I would change and develop. It is important to note the success of the Fiscal Commission since it was established. As was discussed in the earlier evidence session, setting up new institutions is not easy, and setting up a new fiscal institution, when it has new powers and is developing the data and processes to be able to do that forecasting, is not easy. The first few years of the Fiscal Commission have been a significant success.

Looking forward, the interesting thing is how to build on that success over the next few years. The committee has touched on some of the issues, such as expanding and improving the forecasts. There are also issues around communication and what more can be done to improve the visibility of the Fiscal Commission, so that it communicates, both more broadly and with this Parliament about the information that it needs. That is not a criticism of what has gone on before, but we all collectively agree that improving information in these debates is really important. Largely, those are some of the areas where we can develop, and I would be really keen to work on and prioritise those areas.

The Convener: What areas would you develop and prioritise?

Professor Roy: Obviously, there will be work ahead on fiscal sustainability. That is a really good example of the importance of being clear in how we communicate issues of fiscal sustainability and what they mean in a Scottish context. That will be a key part of the work of the commission over the next few years.

The committee heard earlier about challenges in forecasting in the current time. I was coming through as a graduate in the period of great moderation: we had cracked macroeconomic stability; inflation was low; growth was high and fiscal policy was sustainable. As the questions have mentioned already, we now live in a world that is much more uncertain and challenging. We have to think about how we communicate in a world like that, where point forecasts will have to come with a significant margin of error. We have to think about how we communicate and talk as much about those uncertainties and variations as we do about the immediate forecasts. There are lots of interesting areas that could be worked on, and it would be really interesting to have that opportunity.

The Convener: You have talked a lot about communication; for example, in your statement you said:

"I would be keen to use my networks, including via the ESRC Economic Observatory, to extend the profile of the SFC."

Can you talk a bit more about that?

Professor Roy: Obviously, it is about how we communicate, engage and position the Fiscal Commission in a leadership role within Scotland, but, as we heard in the earlier session, there is also a real opportunity to look at how we do that internationally across networks, as well as across the UK. The economic observatory is a good example, because it is a network of academic economists across the UK who are trying to inform the latest policy debates and key issues in an engaging way. It is really important to tap into that network, not only to showcase the work of the Scottish Fiscal Commission and the work that is taking place in Scotland, but to use that network as a way to get fresh insights and ideas into how we do activities in Scotland. The Fiscal Commission is a leading economic institute, not just in Scotland but across the UK, so it is important to tap into those networks and use them to help inform the work of the commission.

The Convener: You talked a lot about instability, as did Dr Lombardi. For example, we had questions about the huge changes that we have seen just since the last forecast. Data is the fundamental building block of producing forecasts and, in previous years, the commission has expressed frustration over data limitations. What more could the Scottish Parliament, the UK Parliament and outside bodies do to provide you with the data that you require in order to do your job to the absolute peak of efficiency and effectiveness that you would like?

Professor Roy: I will say a number of things about that. First, over recent years, there have been significant improvements in the quality of the data that exists at Scottish and regional levels. Steps have been taken in that regard, but there are still some significant gaps, particularly relating to the timeliness and robustness of earnings and employment data. Such issues make confidence intervals and bands of error in forecasts that bit bigger. Work needs to continue to be done on what we can do to influence the core data-providing institutions to produce the information that we need.

As was touched on in the earlier session, in a world of change and instability, where the economy changes rapidly, what new sources of data and information can be used and taken advantage of? Lots of developments are taking place—not only in Scotland but across the UK and internationally—on nowcasting, for example. How can we use the current data that we collect to update forecasts much more regularly? What can we do with surveys in relation to levels of confidence in the economy? Can those non-official sources provide much more timely and robust information about what is happening?

In the academic world, we have been doing some work on online job adverts, which are timely and, in many ways, much better indicators of what is happening in the job market. That data exists and is updated daily, so how can that sort of information be used to improve intelligence in forecasting?

There are quite a lot of broader developments relating to how different types of sources—beyond the traditional sources, such as official statistics, that we have relied on—can be used to improve the quality of forecasting.

The Convener: Thank you very much.

Michelle Thomson: Good morning, Professor Roy. Thank you for attending today's meeting. You are well known to us, and you set out in your CV how you can utilise, and how the commission can benefit from, the extensive networks that you have in Scotland and your long hinterland in economic understanding and supporting roles. However, it occurs to me that, although that is a benefit, it could also be a downside in relation to being able to differentiate yourself in a leadership role at this level. What challenges do you see in being able to do that, and how will you address them?

Professor Roy: I would argue this, but my background and experience will give me a lot of strengths in the role. The Fiscal Commission includes a broad group of people because that allows a diversity of experience to be brought in. The committee heard from Domenico Lombardi about his international experience; it is really important that the commission has such experience. Differences of opinion, divergence and international experience add real value to the commission's work.

On being able to differentiate myself, I will be able to tap into my experience, networks and contacts relatively quickly in order to improve communication and visibility. I will not need to develop those networks; I already have those relationships. I will provide that role in this different role—there will be the Graeme Roy before his appointment to the Fiscal Commission and the Graeme Roy after that. I immensely look forward to doing that, which I will really enjoy.

Michelle Thomson: I am on the record as expressing my frustration that quite a lot of people have a fundamental lack of knowledge about macroeconomic policy. The focus tends to be, particularly from a scrutiny perspective, on what we need to count and account for. How will you be able to use your extensive knowledge—this goes back to John Mason's point—to create more general knowledge among the populace about the importance of macroeconomic frameworks and policy, and knowledge that, as Dr Lombardi said, our current policy levers can address only some of that? How can you help to heighten and broaden the thinking among the Scottish populace, not least among those in the Scottish Parliament?

10:15

Professor Roy: That is a great question. I have talked to the committee before about issues to do with communication beyond the narrow confines of, say, the fiscal framework or the budget, as we get into the wider debate about understanding the drivers, opportunities and challenges in the Scottish economy.

It is important to break down the audiences with whom we speak. As much as you or I might like everyone to have an interest in macro-economics, that is not likely to happen. We need to consider how we communicate with the Parliament and ensure that the outputs of the Fiscal Commission fulfil the needs of this committee and the Parliament more broadly, so that you have the facts and information in an accessible way that lets you do your scrutiny job. There is then a question about how we engage with the public sector, public finance and academic communities in Scotland. We need to consider the type of information that we provide to those communities and the engagement that we have with them. Then we need to consider, more broadly, how we deal with the general population. How do we engage with the media? How do we engage in an accessible way and ensure that we are visible and inform the debate as best we can?

For me, it is about splitting all that into different chunks as we communicate. When it comes to trying to improve the level of macro-economic acumen or fiscal understanding, we will have different voices, depending on who we engage with.

Michelle Thomson: Thank you.

John Mason: I will build on questions that have been asked. I am interested in the point about communicating with the public, on not just the Fiscal Commission's work but wider issues of tax and so on, in which it is difficult to get the public involved. I fully accept that you are a good communicator. Susan Rice, for whom I have a huge amount of respect, is also a good communicator. However, it is difficult. Should everyone in Scotland know about the Scottish Fiscal Commission? I do not think that that is the case at the moment. Should they know what it does? Where can we go with that?

Professor Roy: That is a good question. I am keen to think about what we can do to improve the level of understanding of macro-economic and fiscal issues, and the Fiscal Commission has a key role in that regard.

I am optimistic. I think that people have an interest in issues to do with budget and tax. Perhaps not everyone is interested, but I think that there is a genuine interest out there. Part of the challenge, as you know, is that the issues are very complex, and once we start communicating and explaining the issues—even to people who have an interest—things get complex very quickly. We need to be able to think about the audiences with whom we want to communicate and how we can explain the complexities of the framework without always getting into the weeds and details, so that we communicate the broader trends that people need to understand and be aware of.

There is a lot that we can do, particularly with the younger academic community—the people who are coming through universities and colleges—to get people to take an interest in the future of the Scottish economy and in debates about the public finances. The Scottish Fiscal Commission has been part of lots of initiatives in recent years, such as the economic futures programme, which supports young undergraduate students around Scotland to get experience in such issues.

There are ways in which we can do more to improve the level of debate about and understanding of economic issues in Scotland. Whether that means getting everyone thinking about the Fiscal Commission might be an issue for future years.

John Mason: I think that you accept that there is a big problem. I get frustrated, because so many people—intelligent people in trade unions, business and elsewhere—keep demanding that we spend more on something while saying, "Where the money comes from is nothing to do with us." I hope that you can play a part in getting people to think about both sides of the balance sheet.

You made the point that you are well connected in Scotland. You have been a civil servant. Some people might say that that means that you will not be as independent as someone who comes in from outside. How do you answer that?

Professor Roy: There are a couple of things to say about that. First, I think that I have held on to the civil service values of honesty, integrity, impartiality and trustworthiness. Those values have been fundamental to my approach, not just as a civil servant but in subsequent roles, for example in the Fraser of Allander Institute and in speaking to the committee, where everything that I say is said in public and people can read it. I stand by my record when it comes to independence and integrity.

There is an important role for people such as me and other colleagues who have that balance between having been a senior civil servant and then moving into a senior academic role. Such people give public service and understand not just the latest research and academic outputs but the wider public policy and political process issues. There are not many of us. It is really important that people such as me and others have that role.

I am therefore relaxed about the situation. As you mention, in a Scottish context, everybody knows me, as I have been around giving evidence to committees. I hold my independence and impartiality very dear, and I am very proud of them.

Liz Smith: You have said that communication is absolutely key. Included in that, would you say that there is scope for better communication between the Office for Budget Responsibility and the Scottish Fiscal Commission? Are there areas of that communication, which is obviously critical to the economic analysis, that could be improved?

Professor Roy: Obviously, I have not been party to any of the internal conversations and engagement between the two institutions. However, as an outsider looking at it, everything that I have seen shows that the Office for Budget Responsibility is more than happy to engage in the Scottish context and to give evidence to the committee. I would want to maintain and develop that relationship.

The broader question picks up on your earlier point about timings. You mentioned that people have expressed frustration about that in the past—I was probably one of those who gave evidence about timings.

Liz Smith: You were.

Professor Roy: The Fiscal Commission responds to the budget process and, in essence, has to adopt the timings that it is given. It is about explaining clearly where things have changed because of timing issues and what is different. To come back to the point about communication, you can walk people through why things have changed and show that the two forecasts are not just completely separate. You can say, "Actually, this is what we might have done six or eight weeks ago, and this is how things are changing and how the story is evolving." It would be useful to start to think about that sort of approach.

Liz Smith: Is there any scope to reduce the timescales between the two sets of forecasts, which obviously are extremely important and have huge implications for economic policy making? Would you like some effort to be made to reduce the timescale?

Professor Roy: As I have said, I am not part of the Fiscal Commission yet, although I hope that I will be. However, I do not think that there is a role

for the Fiscal Commission to influence that. It is important that it is for the Governments and Parliaments to decide the timing of budgets.

The point about timing is a good example of the broader question around the evolution of the fiscal framework, a review of which is on-going. Timing is the sort of issue that, as I have mentioned in the past, we never really thought about when the fiscal framework was being designed back in 2016. Such issues arise as time goes by, and it is therefore important to reflect on the framework. Having a situation in which there are different flexibilities in the budget simply because of the timing of budgets being laid in Parliament does not strike me as the most efficient budget process. However, those sorts of issues are not for the Fiscal Commission; they are more for the broader review.

Liz Smith: Thank you.

Daniel Johnson: I first want to follow on from some of the previous lines of questioning. An interesting point was made about public awareness of economic issues and the role of the Fiscal Commission. However, more fundamentally, I wonder whether we need people to understand how the fiscal framework works and, in particular, how block grant adjustment works. Frankly, I am not convinced that most people in the Parliament understand that. How possible is it to achieve that? The block grant adjustment is a very synthetic beast. It is not as simple as just counting up the tax receipts to find out how much money you have, as the UK Government does—it is a very hypothetical system. How do we improve awareness and understanding of that?

Professor Roy: You are right. We have done some research on that with colleagues in the Scottish Parliament information centre, and we held a session with the convener at which we talked about levels of understanding among the public and in Parliament of the block grant adjustment and the various mechanisms to manage forecast error. It is an exceptionally complex framework. It is really important to spend time explaining how the framework works and what are the core bits that one really needs to understand about how it operates.

One can get into specifics and details on management and so on, but getting people to understand the core basics and the broad measures—the block grant, the devolved taxes and the relative performance of those taxes compared to those of the UK—is a really important first step.

Again, one of the things that I would be really keen to do in this role is to see what more we can do to support parliamentarians and the general public to understand the issues by explaining how the framework works. With a lot of these issues, people do not always want to put their hand up and say that they do not fully understand. The question is what we could do through working with colleagues in Parliament to improve the level of understanding.

Daniel Johnson: The basic principle is relatively straightforward—it is about what we would have got under the block grant and the difference that policy makes—but the implementation of it is fearsomely complicated, which is tricky.

To move on a bit but following my previous line of questioning, it really strikes me that we are now facing inflation, and that it is the first time in around 30 years that that has been a major component of what we are doing. Your point about the contrast between the current context and that of the 1990s is well made.

What difference does that make to the business of forecasting, especially when the anticipated inflation rate is changing quite quickly? Six months ago, we were alarmed at the prospect of a 5 to 6 per cent inflation rate, and it now looks like the rate might well hit higher peaks. What difference does that make to the work of the SFC and to forecasting in general?

Professor Roy: You are right. At the SFC, we were talking about a 4 to 5 per cent inflation rate in December and we are now talking about 9 per cent. It is another example of noise in the system and in forecasts, which is generating unpredictability in the movements of macroeconomic variables. Trying to pinpoint what will happen next is exceptionally difficult. In a Scottish context, it is difficult, because we do it within the relative position of the UK. The question is about where we might have different effects of inflation relative to the UK and how that might impact on forecasts.

In these times, the most important thing is to unpick the drivers of and what is happening to inflation and to be able to explain that and trace it through to what might be happening to forecasts. There are several questions to consider. To what extent is some of the inflation likely to be temporary and to fade out relatively quickly? To what extent might it be more structural and permanent—if it is, say, in the labour market? If inflation leads to faster wage growth, what does that mean for things such as income tax revenues? What does that mean for legacy effects in the resilience of the economy?

The work is about trying to unpick those questions, being clear about the various components of the spike in inflation, assessing what might happen to the different elements and

tracing that through to the forecasts. That comes back to the point about communication and being very clear about what is driving uncertainty and how the different components of that uncertainty might impact on the forecasts.

You are right: the general point is that we are living in times of continual change in our economy. There are legacy effects of Covid, and we still do not know their long-term structural implications when they are added to inflation. It is a challenging time for any forecaster. The important thing is to be really transparent about what we do and do not know.

Daniel Johnson: Leading directly on from that, and similar to my previous line of questioning, it strikes me that, over the past 10 years, we have had the credit crunch, Brexit, Covid and, now, the war in Ukraine; it seems that our black swan events are turning into a bit of a flock.

Having looked through the Fiscal Commission work to date, I see that it has responded to those things. However, I do not necessarily see, either in the body of its main forecasts or in what it publishes more generally, a risk register, for example, or a forward look at contingencies and potential risks. Are those things that should be thought about in terms of some sort of counterfactual assessment and longer-term forecasting?

10:30

Professor Roy: The Fiscal Commission has a particular remit to make estimates of income tax and gross domestic product and point estimates for the nature of the fiscal framework, so there is a reason why it gravitates to that particular point estimate.

However, your broader point about how to communicate the risks—both positive and negative—around that and how they might evolve over time is entirely fair. Clearly, that has to be separate from the point estimate that you have made, but understanding why something has changed or how things could change is really important, so that people do not say, “Well, you said it was 4 per cent in December; now it is 9 per cent. Are you just wrong?” when there are clearly strong reasons for that change. It is about being able to unpick those reasons. That is why it is important to have an evaluation of the forecasts, too. It is about looking back at where you could have made better forecasts and where you could make improvements, but it is also about looking at where there is just genuine noise, as we are living in a time of significant structural and macroeconomic change.

The Convener: Yes, we might have been able to predict the impact of Brexit, to an extent, but not necessarily what other major global issues might happen, such as the possibility of a war in Ukraine. I do not envy you your task of trying to predict events that could transpire in the future.

Just to wind up, are there any further points or comments that you wish to make?

Professor Roy: No. As I have said, it has been a privilege to come along and speak with you all this morning. If I were to take on the role of chair of the Fiscal Commission, it would be an honour, and I would very much look forward to working with the Finance and Public Administration Committee.

The Convener: We thank you and Professor Lombardi for coming along and answering our questions in such a forthright manner. We will decide in private session later today whether to agree the appointments; we will then make a recommendation to the Parliament.

We will have a break to allow for a change of witnesses.

10:32

Meeting suspended.

10:36

On resuming—

Public Administration in the Scottish Government

The Convener: The next item is to take evidence on public administration in the Scottish Government. We are joined by the permanent secretary to the Scottish Government, John-Paul Marks. Mr Marks is accompanied by Scottish Government officials: Lesley Fraser, director general corporate; Paul Johnston; director general communities; and Jackie McAllister, chief financial officer. I welcome you all to the meeting, and I invite Mr Marks to make a short opening statement.

John-Paul Marks (Scottish Government): Thank you, and good morning.

I thank my team for its support and my colleagues and partners for their warm welcome to Scotland since I arrived.

We wish to ensure that we address some key areas in this evidence session. First, I am grateful to my senior information officer, Lesley Fraser, who will touch on propriety and ethics. Secondly, Lesley will be able to say a couple of words about our latest processes in relation to best practice with record keeping. Thirdly, we will talk about our plans to date on developing corporate capabilities. Finally, I am happy to touch on the impact of the national performance framework and how we can make crucial progress on outcomes for Scotland.

Three strategic risks dominate my perspective today. First, as you reflected on earlier, there is Covid and the lasting impact of the pandemic, particularly on the national health service. Covid recovery is a ministerial priority for this session of the Parliament.

Secondly, there is Ukraine. We are remaining vigilant to the risks at home and abroad.

Thirdly, there is the cost of living. We are supporting our ministers to respond rapidly and in a sustained way as our forecasts change. We have responded through a 6 per cent uprating of social security benefits and further increases in the Scottish child payment for families. As you were discussing, 7 per cent-plus inflation impacts households with fixed incomes, and it impacts our fiscal position. That puts a premium on the prioritisation in our resource spending review—which is due in May—for the long term.

My role is, first, to serve as the adviser to the First Minister and the elected Scottish Government, and to deliver its programme for government and the Bute house agreement, given the working arrangement with the Scottish Green Party.

Secondly, as principal accountable officer, my role is to balance the budget and assure value for money.

Thirdly, my role is to lead the civil service within the Scottish Government and support partners and systems, from local government to Scotland's private and voluntary sectors, so that they can thrive.

Finally, I seek to lead in the best traditions of the civil service: to be objective, impartial and accountable to ministers and Parliament.

I am grateful for the opportunity to meet today, and I hope that we can make important progress in these years of recovery, all in the service of Scotland. I look forward to working with you in the years ahead.

The Convener: Thank you very much for that very helpful opening statement.

The first point that I will touch on relates to structure, effectiveness and working practices. The civil service is reserved under schedule 5 to the Scotland Act 1998, but

"devolved administrations operate as a single organisation, which is designed to encourage cross-government working".

When devolution occurred, it was agreed that there would be

"a new, more flexible structure designed to focus the activity of government on collective rather than departmental objectives",

with a

"relatively compact governing structure".

Do you feel that that has succeeded? I realise that you have been in post for only a number of weeks and that you are probably still looking at things, but how different do you feel the structure here is from the UK structure, and how do you intend to develop further a distinct Scottish civil service identity?

John-Paul Marks: I will make some observations, drawing on our response to Covid. I joined right at the beginning of January, at the time when the peak of the omicron variants was being managed. Then there was the response with regard to Ukraine, and now there is the response to the cost of living. The civil service and the Scottish Government have a real sense of collective co-ordination at their heart. They can move rapidly and respond quickly to such events. I observe that in Cabinet and with my executive team every week.

The collective structure of devolved government brings a level of unity and focus. We can see that

through the national performance framework, which sets a long-term strategic framework for performance for the country, and through the programme for government and the way in which the Government seeks to move together as a team.

From where I have come from in Whitehall, I would say that the separation of Government into more autonomous departments makes some of the capacities to move at pace and align to local need a bit more challenging; it puts a real premium on co-ordination across boundaries, whether that is with number 10, the Cabinet Office or the Treasury. We seek to act as one team around the table every week to get our response right.

As for what I hope to bring, one of the things that I have been talking to the team about a lot is a focus on delivery. Within our national performance framework, we have clear, long-term strategic intent and objectives on performance, but are we clear on the outcomes that we are seeking to achieve in the short to medium term? That could be driving down the drug death rate or achieving relative child poverty targets, which Paul Johnston leads on. It may involve ensuring that we bring down our prison population, as we have been managing to do over the past year or so. It is a matter of having absolute clarity on supporting systems and coaching partnerships to improve outcomes.

The Convener: You have touched on delivery. I am intrigued by the idea of a delivery executive. Could you talk to us about it for a couple of minutes, please?

John-Paul Marks: That is something that I have seen work well before. It involves having a routine in which a team comes together and constantly talks about delivery. That might mean having a focus on a capability that we are seeking to improve—for example, our use of data. It might involve currencies that we can use to understand whether we are improving delivery, such as financial management and risk management. There could be a particular focus on a short-term, medium-term or long-term road map to achieve a particular outcome.

Paul Johnston is the DG leading on child poverty. We recently published our updated child poverty delivery plan, and we are clear on the indicators that take us towards seeking to achieve our relative child poverty statutory targets. As an executive team, we discuss supporting our ministers on a regular basis. Are we doing everything possible to enable the outcome to be achieved, whether it concerns the early years and childcare, benefit take-up, the roll-out of an improved Scottish child payment or improving employment support? There are many other interventions across the plan, but it is about the routine of delivery—about constantly talking about it, looking at the data, and giving our ministers the best possible advice. Is the situation improving? If not, why not, and what are we going to do about it?

10:45

The Convener: I am intrigued by the direction of travel. On 8 March, Emma Congreve of the Fraser of Allander Institute said:

> "when it comes to the big decisions being made on the budget and on the spending review, things are still very compressed and a little bit too siloed".—[*Official Report*, *Finance and Public Administration Committee*, 8 March 2022; c 19.]

On 9 November, when we heard from Professor Jim Mitchell of the University of Edinburgh, Stephen Boyle said:

> "It is not clear whether"

Government has

> "yet moved on from what appears to be quite a risk-averse approach in harnessing innovation and learning from failures."—[*Official Report*, *Finance and Public Administration Committee*, 9 November 2021; c 28.]

In the context of the collective working that we discussed, how do you respond to that? I realise that that latter comment was made before you came into post, but how can we move on and take an approach that is not high risk but—how can I put this—at least less risk averse and more innovative?

John-Paul Marks: I would be happy to meet partners and colleagues who have made those comments and reflect on the data or evidence from which they derived that judgment. I do not start from a defensive position of assuming that what has been said has no validity; I am happy to reflect on any learning.

The Christie commission made recommendations about being user led and focused on communities, understanding need, and delivering on the basis of evidence and experience. We are absolutely determined to improve outcomes in the right way. That is about system leadership, and it is about understanding the needs of communities and iterating services so that we meet those needs and respond accordingly.

Let me take the example of child poverty. A few weeks ago, I was in Dundee with the chief executive of the local authority. We met Flexible Childcare Services Scotland and One Parent Families Scotland, we went to meet Street Soccer Scotland to talk about the role of the voluntary sector, and we met some employment providers. We are clear that, if we want to reduce inactivity and child poverty in the community of Dundee, we

have to support an environment in which partners are empowered, through data, information, funding and support, to make that achievable. We are doing some joint piloting work in that regard, which has been very encouraging.

For me, success, whether it is about delivering the Promise or delivering on youth justice, health recovery, education attainment, reducing drug deaths or climate change and achieving net zero, is ultimately about empowering systems, building capability and ensuring that we understand what is going on, with good data. Innovation is at the heart of that, and humility is required to ensure that we listen to feedback and respond by ensuring that that is built into our policy process and delivery.

The Convener: I am impressed by your enthusiasm for change and innovation. You touched on the outcomes in the national performance framework. Over lunch, we will be hearing from Government officials about the NPF. On 24 February, you said to the Public Audit Committee:

"We want to build on the national performance framework and integrate it with our accounts to give us a good record of how delivery is translating into outcomes."—[*Official Report*, *Public Audit Committee*, 24 February 2022; c 12.]

Where are we on that pathway?

John-Paul Marks: I think that you will meet Paul Johnston at lunch time, so I hope that you can have a good conversation about that. This year presents an important chance to take another look at the national performance framework. Your inquiry is timely, and I will be keen to ensure that we can implement any recommendations that come out of it.

I have the framework here. We can see a set of indicators on which we are making progress, such as the quality of children's services and energy from renewable sources. We have maintained performance on elements such as access to justice, and we have just announced the Promise delivery plan, with the £500 million whole family wellbeing fund.

We have seen the impact of the pandemic on some of the underlying indicators, including gross domestic product, although GDP has recovered to pre-pandemic levels.

The framework is revered and recognised as best practice, but there are opportunities to make progress with it. For example, the data could be more real time. That would ensure that we had a more current sense of progress. Performance, by its nature, is strategic and long term. Although the shifting of systems and underlying structural capability ultimately takes time, we want to know whether we are making progress in the short and medium terms. That is one of the things that I am encouraging through the delivery executive. As we put the performance framework reporting very clearly into our annual report and accounts, can we use more data to show progress?

We have statutory targets on child poverty and net zero. We also now have quarterly data in relation to drug death rates, which we report to show whether the £250 million that we are putting in over five years is translating into, for example, more users going into treatment in order to reduce the risk. Similarly, in relation to educational attainment and the latest attainment challenge, we are using quarterly data to understand whether we are seeing the gap close and raising the bar on education standards.

We should embrace transparency in data at the heart of the performance framework, and use that to empower systems and understand what works. We should then take that evidence to coach others and build system capacity for the long term.

The Convener: "Scotland's Open Government Action Plan 2021-25", published on 25 March, aims to

"promote Open Government values of openness, accountability, transparency and involving people".

In response to another question earlier, you said that you did not take a defensive position. However, as you will be aware, the committee wrote to your predecessor, Leslie Evans, on 9 March expressing its disappointment that she had failed to engage with the committee regarding its invitation to give evidence. I think that it would be fair to say that your response to that was quite a defensive position. I think that that view is shared by all members of the committee. For example, you said:

"as civil servants, we must always appear on behalf of or to represent the views of our Ministers, and not in a personal capacity, always consistent with the Civil Service Code".

However, the protocol between the Scottish Parliament and the Scottish Government in relation to the handling of committee business notes that:

"A committee may invite officials alone (i.e. not accompanying a Minister) to attend a meeting for the purpose of giving oral evidence on any relevant matter which is within the official's area of expertise and for which the Scottish Government has general responsibility".

Do you accept that latter comment? In hindsight, do you not feel that it would have been better if Leslie Evans had come along and given evidence? That would not have been on what was discussed at committee last year; rather, given her many years of experience, we could have reflected on some of her successes in the job and had some pointers about where the civil service could go in the future.

John-Paul Marks: I understand the point of your question and the frustration. I can say that I am here today and at your disposal to answer any questions regarding the leadership of the civil service and the Scottish Government.

I have made sure to bring along some colleagues who have supported me through the transition, not least Lesley Fraser. If there are questions around propriety and ethics, she is—with thanks—leading our continuous improvement programme. As you know, new procedures were recently published.

Similarly, in relation to record keeping, my predecessor started—as you said—a set of reforms and improvements that are making good progress, although we have more to do. The same goes for open public sector accounts and reforming and improving our budgetary process, in relation to which I have with me my chief financial officer, Jackie McAllister.

The point that I am trying to make is that the team that has transitioned from the past to where we are today is available to answer any questions from this committee on behalf of our ministers and the Scottish Government. If we cannot do that today, please let us know in writing and we will respond in full.

My predecessor left her role as permanent secretary of the Scottish Government on 31 December 2021. When a civil servant is then called to appear before a committee, they do so to provide evidence on behalf of ministers and to represent their views, and not in a personal capacity. That is why I am here now, rather than my predecessor.

The Convener: Well, clearly, you are at odds with the committee—which represents four political parties—on this issue. I know that colleagues want to explore that matter in greater detail, so I will allow them to do so.

I have one more question—Lesley Fraser was here last week, and I am sure that she can guess what I am going to ask. Mr Swinney said:

> "the permanent secretary is not an individual; they are an office holder."—[*Official Report, Finance and Public Administration Committee,* 26 April 2022; c 7.]

Do you agree with that?

John-Paul Marks: Yes. As a civil servant, I am the existing permanent secretary of the Scottish Government. There will be a future one at some point, and we are appointed to represent our ministers. At the beginning of this hearing, I talked about the point of my role. It is to attend Cabinet and be a policy adviser to the elected Government, and that includes the working arrangement with the Scottish Green Party; to be the accountable officer to ministers and Parliament for the budget; and to lead the civil service in the Scottish Government.

Clearly, I will seek to do that. I hope that I will appear before the committee regularly and build relationships. I am happy to answer questions as we go and share my sense of my individual objectives or priorities within that. I have just talked about one of those, which is the particular focus on delivery and outcomes that I have started to bring to the role. Obviously, I am just getting started.

Clearly, however, the Deputy First Minister is right about the constitutional role that the civil service plays in supporting the Government of the day, and that includes the role of the permanent secretary and the office.

The Convener: Thank you for that clarification. Colleagues are champing at the bit, so I will open out the session. I will go first to Daniel Johnson.

Daniel Johnson: I do not want to concentrate on this but, to follow on from the convener's line of questioning, do you accept that, as an office holder, you do not inherit all your predecessor's knowledge and experience? It is not as though you are Dr Who. Do you accept that it is relevant to ask someone to come to the committee to ask about particular circumstances and their reflections on them?

For example, Mr Johnston, who is sitting next to you, has not always been in communities; he was previously in education and justice. If a particular decision had taken place regarding education, even though he is now working in communities, it would be relevant for us to ask him about that. I do not have anything particular in mind, but do you accept that it is sometimes relevant to ask previous office holders about their decisions and the experiences that they had while they were in office rather than the current incumbent?

John-Paul Marks: Taking your example of education, if the Education, Children and Young People Committee wanted to ask questions on education, it would speak to Joe Griffin, my DG for education and justice. If that committee wanted to get a perspective on earlier decisions, it might speak to a colleague who had worked on the matter at the time, which is partly why, for example, I have brought Lesley Fraser, who is working with me and leading on propriety and ethics, continuous improvement, record keeping, data and assurance, and corporate capability.

However, if Paul Johnston had retired from the civil service, he would not appear as a civil servant to represent the Scottish Government and give opinion on education delivery on behalf of the Government. That is what is different. My predecessor retired at the new year, and I started on, I think, 3 January. I have made clear that I am

happy to appear before any committee at any time, and this is my second such appearance to date.

I absolutely agree that I do not inherit all the knowledge of the past—of course there might also be some advantage in that. It is incumbent on me to ensure that I have learned as many of the lessons as I can. For example, I have read the report of the parliamentary inquiry into Ferguson Marine Engineering Ltd and the Audit Scotland report on that. They are both robust; the recommendations are clear and we need to make sure that they are implemented in full.

11:00

In terms of continuity, I agree that we need to make sure that we maintain our knowledge and continuous improvement. I look to my team to do that rather than my predecessor. My chief financial officer, my executive team and partners have been very supportive since I have arrived. I think that that is the right approach to take—to learn the lessons from the past and to look at all the evidence and make sure that we are organised for the future.

Part of what I hope to do—I appreciate that it will take time—is to build confidence and capability and look forward after, as you were saying in your previous session, some very challenging events. We have had two years of a pandemic, which has been a very difficult experience for colleagues in the NHS, in local government, in business, in schools and across households. We want to build a recovery that delivers better outcomes, balances the budget and tackles the cost of living crisis and I want to build confidence in the civil service and the Scottish Government. We need to be responsive, professional and organised, and that particularly includes building the team, which is what I will be focusing on.

Daniel Johnson: The key point of contention is around a person's status while they are working out their notice—whether they continue to be a civil servant or whether they are an employee of the organisation.

However, I will move on, because we have already hinted at some important things that we need to concentrate on. Your point about people having confidence in the civil service is very important—that is probably one of the most important roles and duties of your office. In a parliamentary democracy, having an impartial and independent civil service is critical. In order to maintain that, in its simplest form, it is important that ministers decide and civil servants act. You preserve that distinction by having clear roles and, importantly—as has been hinted at—accurate record keeping. Do you agree with that principle? Do any issues cause you concern? Is there a need to review and reform that record keeping and that clarity of decision making?

John-Paul Marks: I agree with your description of the importance of the civil service's role within the constitution and within Government. In my opening statement, I spoke about trying to ensure that I lead and encourage my team to operate in the best traditions and values of the civil service—with integrity, impartiality and honesty. It is absolutely about getting our professionalism right every day, and record keeping is part of that. I want to see a real rigour in our delivery, and we have been making some important changes, which my predecessor started. However, there is more to do and to complete in relation to the continuous improvement programme on information management.

Our record management plan is submitted to the keeper of the records. A set of eight recommendations came out of the 2021 review of corporate information management. If it is okay, I will ask Lesley Fraser to speak for one or two minutes on where we have got to with that and what is ahead. I think that you are right about the need for me to assure myself that the level of professionalism that we all expect to see every day is absolutely embedded.

A lot of progress has been made, although I note the Audit Scotland reports and the First Minister's point to Parliament about it being regrettable that there is no record of further, more detailed ministerial considerations from, I think, 2015—seven years ago. However, what is important to me, as you state, is whether we have the processes organised, embedded, assured and working every day so that I can give confidence to you, to Parliament, to ministers and to myself that we are where we need to be.

A huge amount of progress has been made. The systems are very robust now in terms of people being able to search for all the records on all the decisions, but you will appreciate that, in my early days in the role, I want to assure myself of that and I will continue to do so.

Daniel Johnson: You have highlighted the specific case, so, before moving on, I will characterise what is in the Audit Scotland report. From paragraph 20 or so onwards, the report shows that a preferred bidder status was awarded on the basis that the ferries contract would be a standard contract in which the constructer assumed the risk. The contract was then revised so that a 25 per cent risk was assumed by, in essence, the public purse. That issue was flagged up, but Scottish ministers still apparently approved the decision. However, there is no documentation of that approval. That is not acceptable, is it? Do you agree that, when a preferred bidder status is

awarded on a certain basis and the contract is then altered, that critical ministerial decision should be recorded?

John-Paul Marks: The decision should be recorded. You are talking about events from seven years ago, about which 210 documents have been published on the website. I have read a number of those documents, and they document precisely that advice was given to ministers, setting out the risks. The decision was then communicated and the contract was awarded.

The First Minister has made the point that it is regrettable that there are not more documents that show ministerial considerations back in 2015. However, as you said, information about the advice about the contract at the time and the decision being made are in the documents that have been published on the website.

I agree with the robustness of the two detailed inquiries that have taken place on the award and the development of the contracts. The recommendations from Audit Scotland are right. A couple of weeks ago, I visited the shipyard and met the new chief executive. Audit Scotland's recommendation that we need to deliver vessels 801 and 802 and then look at what further learning can be derived from this experience is sound.

Significant improvements to governance and procurement have been undertaken within the Government. I will give a couple of examples. We improved the robustness of information management—Lesley Fraser can touch on that in a moment—and we updated our business investment framework, which we have now published.

We must continue to develop the right long-term strategy for our ferries network. We have the connectivity and Neptune projects and reviews ahead of us. We have the opportunity to ensure that, as well as vessels 801 and 802, the two more recently procured ferries for the Islay network are delivered in 2024-25 and that we get the fleet and capital investment right for the long term. I know that the Parliament and our island communities will, quite rightly, expect to see that and that ministers will want to deliver on that.

I will bring in Lesley Fraser to talk about the latest progress on information management. I agree 100 per cent with the point that we need to be robust, consistent, professional and assured. That is the intent of the continuous improvement plan.

Lesley Fraser (Scottish Government): Like every Government and organisation, we face an exponential rise in the amount of information that we manage, particularly data and digital information. In response to that, in 2020, the previous permanent secretary commissioned a review of our corporate information management processes. The report was published last year, and we are taking forward improvements in eight areas as a result.

We have improved the strategic governance. I now oversee a board that meets regularly to look at how we are training our staff, at the business practices that we put in place, at the arrangements for managing risk and assessing the particular risks in different parts of the Scottish Government, and at our systems, to which we are making improvements. We have also published an information management strategy, which pulls all those points together and clarifies, for our own colleagues as well as for colleagues in other public bodies that draw on our information management practices, how they are brought together.

Through the information management governance board, we have been auditing every aspect of information governance and management, DG family by DG family, to consider where best practice sits and the particular areas in which there would be room for improvement, depending on the different areas of business. That has resulted in real encouragement for colleagues to become much more expert in and aware of the importance of information management and governance, which is at the core of civil service craft.

At the moment, we are implementing some system changes that help us with that as well. We are reviewing the different electronic systems that we use for information management—

Daniel Johnson: I am sorry to interrupt, as I have no doubt that that is very important—in the information age, managing information is incredibly complicated, especially in organisations as large as the civil service—but the question is not about information; it is about ensuring that decision making is recorded correctly. The British civil service has a reputation for, and a heritage of, meticulous record keeping, which is about recording specific decisions—saying what was decided, by whom and when. That is what has gone wrong here.

I accept Mr Marks's characterisation that there is a lot of documentation about the Ferguson Marine matter, but I have two specific questions. That variation was a clear material change to the contract, which would require not just a ministerial decision but for that specific decision to be documented. Indeed, in his evidence to the Public Audit Committee, Mr Boyle suggested that the Scottish public finance manual would require documentation of decision making, and there are questions about whether the Public Finance and Accountability (Scotland) Act 2000 and the civil service green book would also require such documentation.

First, do you accept that it was a critical decision that should have been documented? Secondly, do you accept that that might have been a legal requirement?

John-Paul Marks: I am happy to take away your last qestion, because I want to be very precise about the legal requirement. As I have said with regard to Ferguson's, 210 documents are published on the website today and there have been one inquiry and one Audit Scotland report.

I understand the focus on the events from seven years ago. What I can do now, as the new permanent secretary, is look at the evidence from those reviews, ensure that the lessons have been learned and focus on ensuring that we are doing everything that we can to support the delivery of vessels 801 and 802 and the future ferry procurement process.

The submission that went to ministers in 2015 is on the website. I read it—it sets out the risks and the mitigations. A further document follows, which records that the ministers have agreed to award the contract. There is documentation that tracks the decision-making process.

Nonetheless, I agree with your point about the traditions of the civil service. I agree with you that the situation is regrettable and that—this is the point that Lesley Fraser was making—we need to be confident about ensuring that the recording and minuting of ministerial considerations is consistent and robust. The First Minister has said to Parliament that it is regrettable that that did not occur in 2015.

11:15

Daniel Johnson: You have acknowledged that there is a requirement to consider what the legal requirements were. It might be not just merely "regrettable"; there might have been a legal requirement.

I have one final question—I thank colleagues for their forbearance. It strikes me that this is not necessarily an isolated matter. There are similar concerns around the processes and the decision making surrounding other commercial engagements that the Scottish Government has had. From the environmental clean-up indemnities that were extended for the Liberty Steel site to the guarantees that were provided for the Lochaber smelter, there have been a number of key decisions on which it is unclear both who made the decision and on what basis. There has been significant reluctance on the part of the Scottish Government and the Administration to reveal those things, even when they knew that they were likely to have to reveal them. The *Financial Times* has revealed the email trail regarding the smelter guarantees.

I am making a broader point about how decisions are being made, how they are recorded and the openness about them when people ask what records the Scottish Government holds.

John-Paul Marks: I have alluded to the publication at the end of March of our revised business investment framework—I committed to ensuring that that was done. That framework contains a set of important improvements, to which you are alluding, regarding the management of private investments, including the overarching principles on which any investment is supported by Scottish ministers. There is further guidance on commercial risk, with an updating of references to interventions, including where we have brought things together in the strategic commercial interventions division.

I have the framework here. We have tried to capture and bring together what Parliament and ministers should expect to see in their advice when they engage in key considerations of lender of last resort, subsidy control, governance, security of investment, return on investment, risk and other factors.

I am visiting Prestwick on Friday, and I was at Ferguson's a couple of weeks ago. I am determined to ensure that we get that business investment framework delivered well, including in our advice to ministers and in decision making, so that we can ultimately show confidence that the Lochaber smelter has managed to create jobs and is a going concern that is generating a return. We have not had to call down on that guarantee. I absolutely understand the objective of securing the aluminium smelter in Scotland and the decision to seek to develop shipbuilding on the Clyde. We want to apply the framework consistently and robustly to all those investments. Only a few weeks ago, Ms Forbes made a statement in which she updated Parliament on the latest situation at Ferguson's, and we continue to provide regular updates on its performance.

Daniel Johnson: Thank you. I will leave it there.

Liz Smith: I have three questions if I may, permanent secretary, all very much on the theme of transparency, which we have just been discussing. You have been up front about your belief that what happened over the ferry issue was regrettable. You and Ms Fraser have outlined what steps are being taken to ensure that that does not happen again.

From what you have read, why do you think there was a problem of missing documentation?

John-Paul Marks: I have thought a lot about questions along those lines. I appreciate that it is an intriguing line of inquiry—what would I have

done in 2015, what do I think went wrong, and so on.

I mean this with respect: arriving seven years later, I have the gifts of hindsight, detailed audit opinions and parliamentary inquiries, so I have a lot of information that colleagues in 2015 did not have. When I read the documentation that was published at the time, I can see that, within the portfolio, a procurement took place that was managed by Caledonian Maritime Assets Limited, and that Ferguson's competed, was successful and was awarded the contract, which was done properly with regard to the commercial processes that were expected at the time.

As Daniel Johnson has alluded to, there was then the change with the refund guarantee, which created a new set of risks. Those risks were documented in writing and put to ministers, and the accountable director communicated a decision in writing.

It was a portfolio decision on the procurement of ferries that took place in a complex environment and in which CMAL led the process. Seven years later, we can all look back and say, "We should have done this, should have done that, should have done this", but the accountable officer tests are not a retrospective process. There is no opportunity for hindsight.

Therefore, I do not think that it is fair for me to judge people who sought to do their best, either with regard to the information that they had at the time or to their integrity or competence to manage a commercial procurement. Clearly, lessons have been learned, and we must ensure that they are now applied consistently.

Liz Smith: Thank you. I was not asking you to reflect on the individuals concerned.

If we are going to ensure that this does not happen again and that the processes that are being put in place are much more robust, it is surely important to understand exactly what went wrong, not just in the ferries situation but in relation to the other issues to which Mr Johnson has referred. Audit Scotland has been on this trail for quite some time, saying that there is not enough transparency in the Scottish Government.

One of our regrets as a committee is that we did not interview your predecessor, and I hope that you can understand why we wanted to. We wanted to get to the hard facts about why the ferries situation happened—not the implications of what has happened since, but why it happened then. I hope that you can understand that a very important part of moving forward is having a good-quality understanding of why documentation was missing and of what can be done to ensure that that never happens again. Do you accept that?

John-Paul Marks: I absolutely understand the frustration that you articulate. I accept that it is important to ensure that it cannot happen again. Lesley Fraser has set out some of the detailed changes that have already taken place; there are more to follow.

On your point about why events occurred as they did seven years ago, I derive my understanding best from reading the documents that have been published, the parliamentary inquiry and the Audit Scotland report, and from following the recommendations through.

I would be happy to meet privately and talk about the matter more. My determination for rigour in our leadership of the civil service and the delivery of its work spans a number of important factors, which we might discuss a bit more. On propriety and ethics, with the new procedures now published, we must ensure that they are understood, embedded and work well in line with our culture and values. We must ensure that, as you have said, confidence in our record keeping is built, in the best traditions of the civil service, which we all want to see. On our corporate capabilities more generally, which talks to your question about why there was missing documentation, we need to properly invest in the underlying capability of the civil service in Scotland in terms of our systems—whether for record keeping, data, financial management or human resources—to ensure that they are of a modern standard.

We have a precise corporate capability plan and, when all of that is said and done, we need ultimately to ensure that our focus is on improving outcomes in Scotland and that the plan translates into child poverty and the drug death rate going down, education standards improving and our health service recovering from the pandemic.

Liz Smith: To clarify that point, are you suggesting that the civil service requires additional resources to ensure that it can do its job properly and effectively? You mentioned that the part of the inquiry about why the events happened might reflect institutional issues. Is that correct?

John-Paul Marks: Lesley Fraser can say a little bit about the institutional investment that we have made in our record-keeping systems since 2015. The systems are improved but, nonetheless, further system transformation is ahead of us, particularly on our finance and HR systems, which our chief finance officer can say a bit more about. As a new leader of the civil service in Scotland, I want to know that the fundamental capabilities and systems are in place for the long term. I observe that as work in progress. It is not complete.

Lesley Fraser: It is fair to say that many of the fundamental processes that we have put in place

were embedded at the outset of devolution. They have evolved, of course, particularly in the context of the new social security system and the impact of the rigours of Covid on the organisation. We have been making investments but, when we examine all the complexity and challenges that the Government faces now, we can see that there is definitely a need for investment in some of our underlying systems, as well as in the culture of the organisation and training in the capability, professionalism and capacity that we need in order to manage everything as well as we can and to serve the Government of the day to the best of our ability.

Liz Smith: My final point is about the relationship between Government and civil service. Permanent secretary, you have good knowledge of the Westminster situation and will be well aware that there were issues with that relationship down south. Had it not been for Covid, there would have been further investigation into the relationship, which is critical.

In Scotland, there are now question marks over the relationship between Government and civil service. As you know, a few weeks ago, a senior civil servant was sent out to the media to bat on behalf of Scottish Government ministers about a particular issue. That puts into question whose job it is to defend or, in some cases, promote particular Government policies. Is it appropriate for a senior civil servant to be sent out to the media, as was the case for Professor Jason Leitch, to defend a particular decision in which there is a question mark over a ministerial action?

John-Paul Marks: I understand the point that you are making. Let us be clear: the civil service needs to be impartial and to lead with integrity. However, to take your example, our clinical director, Jason Leitch, has been a huge force for good through our response to the pandemic in Scotland. Pre-pandemic, when he considered such a role, he would not have expected to become a household name and find himself regularly on the media.

Jason Leitch is a civil servant of huge integrity. He was due to do media rounds that week because, happily, on that Monday, we were removing the legal requirement to wear face coverings as we wound down our restrictions from the pandemic. The pandemic is still with us, although infection rates are falling and the number of Covid hospitalisations are coming down.

I am with you on the need for consistency and standards of integrity, and I will always encourage, support and require that from my teams in their rigour and delivery. However, in that instance, Jason was trying to encourage the Scottish public to continue to be vigilant about the pandemic and reflect on the role that face masks can play, and he was also doing the media ahead of the change in the regulations—as he has been doing so well for the past couple of years.

11:30

John Mason: I am interested in the concept of information, particularly fiscal information, being more understandable rather than us getting more of it. You wrote to the Public Audit Committee on the need to improve the accessibility of information about public finances more broadly. Will you say a little more about the way that you see that going?

John-Paul Marks: Yes, I would be happy to do that. My chief finance officer, Jackie McAllister, might add more on that because she is leading a lot of that work. We had a good conversation at the Public Audit Committee about transparency around public accounting. I was listening to your previous witnesses giving evidence on the Scottish Fiscal Commission and the way in which our long-term forecasts are derived and how we manage for uncertainty and the impact of inflation. I would like us to be as transparent as possible and share information. For example, as an accountable officer, when I see inflation rising as quickly as it has been, it gives me serious concerns around our fiscal sustainability, because I reflect on the impact that it will have on tax revenues, economic growth and unemployment, all of which impact our budget in significant ways.

We continue to improve our annual report and accounts every year. We have been talking about adding more data to those, including the concept of whole public sector accounts. The intent is to iterate those stage by stage, given the data that is available to us, including with regard to the Parliament, spend and expenditure, local government, the NHS and other bodies. Jackie McAllister can say a little bit about the programme of work.

Jackie McAllister (Scottish Government): I will start by flagging the improvements that we have made to date. As the permanent secretary said, in the 2020-21 consolidated accounts, we put in considerably more information, particularly around Covid expenditure. As the committee knows, for the first time, we have also put greater detail into the guide to the spring budget revision. I know that the committee noted that level of detail.

We are continuing to look at how we can increase and improve transparency in that area. The provisional outturn statement for 2021-22 will be the next opportunity for us to do that. We continue to talk to Audit Scotland to look at the improvements that can be made.

On the public sector accounts, the permanent secretary is absolutely right: we have agreed a timetable on that with Audit Scotland. We have

produced the first phase and shared it with Audit Scotland. We are taking an incremental approach because we want to ensure that we produce something that adds value, increases transparency—not just information, as you say, Mr Mason—and does not just duplicate what is already in the public domain.

John Mason: Given that some of the information is for parliamentarians, some is for experts in organisations such as Audit Scotland and some is for the general public, is it impossible to produce something that will satisfy them all?

Jackie McAllister: Transparency does not always mean simplicity. We need to get a balance between the level of detail and really being able to explain the narrative. When we produce an aggregate set of the public sector accounts, for example, we lose some of the detail because the interorganisational transactions are removed. It is a fine balance. That is why we want to do it in phases, so that we can take stock after each phase, get feedback and think about how we take it further forward.

John Mason: On a separate subject, can you say anything about workforce diversity in the civil service? I have heard the accusation—not about the civil service as such—that, because some parts of the public sector are so risk averse about favouring one group, sometimes there is not representation across the board. What is your feeling about the civil service in that regard?

John-Paul Marks: I will say a bit about the data points that I have been looking at with regard to improving the diversity of our workforce in Scotland. I have been comparing data across the workforce from 2019 and 2021. On gender, the representation of women in our workforce has gone from 53.4 per cent to 55.8 per cent, so there has been progress. The figure on LGBT representation is up from 4.4 per cent to 5.4 per cent, so there is progress there as well, although not as much as we would like. We continue to work with our fabulous LGBTQ+ colleague network to encourage disclosure at work for the purposes of recording the data and to encourage a culture in which everyone feels comfortable to be themselves in the Scottish Government civil service.

On minority ethnic colleagues in the Scottish Government, at the end of December 2019, the figure was 2.4 per cent, which has gone up to 2.8 per cent, so there has been progress. The figure is still not representative of the population as a whole, but we are moving further in the right direction, and we want to continue to sustain that trend.

Recruitment is, of course, one key enabler of that. We had a good conversation in the executive team the other day on the data that we use and how we capture it to understand the diversity of the workforce. For example, we had a conversation about mental health, addiction and hidden disabilities, and how we encourage disclosure and a sense of confidence that the civil service is a modern and diverse workforce that everyone is welcome to apply to join and, we hope, an environment in which people can thrive.

One indicator that perhaps gives me the most confidence is the figures on bullying and harassment and discrimination. Those figures were at 11 per cent and 9 per cent respectively in 2019, but were down to 7 per cent and 6 per cent in 2021. Colleagues referred to my experience in Whitehall and my leadership of various departments there. Those numbers for the Scottish Government civil service compare very well. My predecessor and the team should take pride in the progress that has been made. I hope that we will continue to make progress on propriety and ethics and on a culture that encourages colleagues to speak out, to seek support and to feel safe at work. We are 100 per cent determined to do so.

John Mason: The figure on gender sounded quite good, but what about the gender pay gap? Do men still hold more senior positions?

John-Paul Marks: Generally in the civil service, gender balance is better at lower grades. However, actually, in the Scottish Government, our senior civil service has now gone beyond 50 per cent on gender balance, which is good to see. As I think we talked about a month or so ago, in our director cadre, we still have a bit more progress to make, but we do not lack desire or determination to do so. Certainly, across my executive team, I think that we are perfectly gender balanced. We seek to role model that and ensure that the situation is consistent throughout the organisation.

John Mason: Clearly, the committee now has a public administration remit that we did not have before. To be honest, we are still finding our way into that. Does the committee have a role in looking at the civil service and suggesting improvements or anything like that?

John-Paul Marks: I would be genuinely delighted if the committee wanted to perform that role. I genuinely believe that we have a fabulous group of colleagues in Scotland. I have now been here for just over 100 days. I have been able to get out and do a lot of visits and meet 50-odd stakeholders and various voluntary sector organisations, businesses, universities and colleges.

It is clear that there is a huge public service purpose in Scotland. People want to achieve

change and deliver for the community that they serve. They are very proud of devolution and what it could achieve. We want the civil service to be a confident institution that serves our ministers, Parliament and, of course, the communities in which we live. If the committee would like to support us in that endeavour—whether in relation to diversity, propriety and ethics, record keeping, data and digital transformation, multiyear workforce plans or outcome frameworks and how we assure performance—I would be delighted.

That is the mission and the objective. We have a great team that is up for that challenge. As I said, we really want the opportunity to look forward and delivery a recovery from the pandemic that is lasting, sustainable, fair and impactful.

John Mason: I have one final question. I get the point that has been raised by others that civil servants are speaking for ministers. As I understand it, the permanent secretary is also the principal accountable officer and has some direct accountability to Parliament, under section 14 of the Public Finance and Accountability (Scotland) Act 2000. I think that you mentioned that yourself, especially in relation to the economic efficiency and effectiveness of the Scottish Administration. Do you see any tension between those two responsibilities?

John-Paul Marks: I would not necessarily describe it as a tension, but it is absolutely a core part of my role. As I said in my opening statement, I hold three things in almost every conversation. One is the delivery of the Government's programme for government, including the Bute house agreement, and advising our ministers accordingly. Two, as the principal accountable officer, is your point about ensuring that, as we do so, we balance the budget and seek to optimise value for money in all that we do. Of course, both those things almost always happen through systems. The civil service is key to that, but it includes partners across the country.

I am therefore always first thinking, if this is the policy objective, how is it affordable, and how does it pass accountable officer tests with regard to propriety, regularity and value for money? I then arrive pretty quickly at the question of whether it is achievable and feasible and whether we can effect the change well across the systems that we sponsor and support in Scotland.

In everything that we do, whether it be in relation to justice, education or health, there will be a policy and intent, a budget, and a delivery mechanism. I am seeking to ensure that all those are aligned, rather than in tension, so that they are optimised to be effective.

Michelle Thomson: Good morning, everybody.

Thank you for setting out so clearly the accountabilities that you will specifically respond to the committee on. In that respect, I also put on record my surprise that Leslie Evans did not want to appear to talk about her accountabilities, which broadly mirror what you have set out.

My opening question is this: what assessment have you made of the potential for a conflict of interests between the Scottish and Westminster Governments?

John-Paul Marks: Do you mean conflicts between the two in general, or do you have a particular issue in mind?

11:45

Michelle Thomson: I am talking about the general principle. In a report from some years ago, Westminster's Public Administration Select Committee said that it is "a constitutional fiction" that officials in Edinburgh and London are part of a unified civil service. What general assessment have you made of that?

John-Paul Marks: Thank you for clarifying—I appreciate that.

I am trying to use the language of pragmatic collaboration between UK Government departments and the Scottish Government because, ultimately, almost every day, there is co-ordination between, and impacts relating to, what is devolved and within the powers of the Scottish Government and what is reserved and within the powers of the UK Government. In my first few months in the role, examples of that have related to green freeports, the shared prosperity fund and the response to the Ukraine situation, with sanctions and refugee supersponsorship. Paul Johnston is the accountable officer for that scheme, which we are very focused on at the moment.

Every week, I am involved in dialogue with colleagues in Whitehall departments. My focus—this goes back to the point that I made to your colleagues—is on getting the best policy objective and on being clear about how we leverage all the opportunities. Often, collaboration gives us the chance to use those levers.

As we discussed earlier, a lot of our budget has a significant level of complication to it—Jackie McAllister is, happily, the expert in that area—particularly when we receive late consequentials due to UK Government changes that impact our budget. Given the nature of our annual accounting process, the fiscal framework review is looking at that matter.

Since I took on my role, my objective has been to build those relationships. Our capacity to engage with the Foreign, Commonwealth and

Development Office and the Ministry of Defence on the war in Europe and the horrendous events in Ukraine, with the Home Office on asylum and immigration, and with the Department for Levelling Up, Housing and Communities is an essential part of our role. Colleagues in Scotland will be doing that all week in different ways, depending on the subject.

Michelle Thomson: You have identified where there are different perspectives and so on, and you have alluded to processes that might sort that out, but my question is about your assessment of the potential for conflicts of interest. Do you have any formal policy for addressing such conflicts? For example, a lawyer will have a clear policy for addressing them. You are telling me how you will manage things, rather than giving me your assessment of the potential for conflicts of interest and your specific policy therein. Do you have one?

John-Paul Marks: I am happy to take the question away and come back to you on whether there are specific elements. I am thinking of things such as the intergovernmental review that recently took place. Yes, we have a policy that Scottish Government ministers have led on with UK Government ministers in which they have sought to define, with a level of precision, how collaboration will work.

In different policy areas, collaborative structures are used, depending on the issue. For example, throughout the Covid pandemic, our health departments and chief medical officers engaged very regularly on a four-nations framework. Scotland had its own four-harms framework in response to the pandemic. Colleagues have operated in a joined-up and collaborative way on issues such as the Covid response. Similarly, on a four-nations basis, the First Minister engages very regularly with other devolved Governments and with the UK Government on particular urgent issues.

If you like, Paul Johnston could give an example of what we are doing on Ukraine and refugee sponsorship, where there is a lot of detailed engagement on data, eligibility and flows of refugees.

Michelle Thomson: You have given us lots of examples of what is illustrated by pragmatic working together, but it is about the specifics for the assessment of a potential conflict of interest. In other words, are you Westminster's man in the Scottish Government or are you the Scottish Government's man for Westminster? That is what I am asking, because there has clearly been some potential for conflict of interest.

In that respect, I was surprised when you outlined your three challenges. I was not surprised by the challenges—you talked about Covid, the cost of living and Ukraine—but I was surprised that you did not mention Brexit, for example, because I assume that your organisation faces similar issues to other organisations, such as access to labour and particular types of skill sets. We know from an earlier meeting that the Scottish Parliamentary Corporate Body has had to recruit additional resources to specifically reflect the impact of EU laws being enshrined in the Scotland Act 1998. I am thinking of the example of the UK Government taking the Scottish Government to court over not being able to incorporate the United Nations Convention on the Rights of the Child.

Is all that done and dusted? Will there be no future examples like that and no further consideration of Brexit as a priority for the Scottish civil service?

John-Paul Marks: You raise a lot of issues in that question. I will try to unpack them a bit.

There are conflicts right now that are being managed carefully on behalf of our ministers in the Scottish Government. The UK shared prosperity fund is an example with regard to replacing EU structural funds. Our ministers have been clear with the UK Government about the quantum of resources being less than what was expected and the governance of those funds not respecting devolution, from the perspective of Scottish Government ministers. Those messages are being firmly communicated at a ministerial level and official level.

We are clear on our accountability, and I made it clear in my opening statement that I am the permanent secretary to the Scottish Government, serving the Scottish ministers to deliver their programme for government. That is clear to me. However, to enable them to do that, given the devolution settlement and the nature of the constitution, we collaborate pragmatically wherever we need to, for example, to access data that we might want, or, with regard to green freeports, to access £52 million of additional resource funding for Scotland's ports. On refugee sponsorship, our ministers quite rightly set out their intention to deliver a different refugee scheme for Ukraine, but we are hugely dependent on the Home Office for its systems and processes.

I am pragmatic about the reality of succeeding in delivery that requires us to collaborate. Is there going to be lots of conflict ahead between the United Kingdom and the Scottish Government? Let us be honest: we see it every week in different moments, whether it is about the cost of living, the decision to end free lateral flow testing, or the choices that our ministers would like to make but for which they find themselves unable to pull all the levers in the way that they might wish. That ultimately moves us towards constitutional reform,

which again is set out in the programme for government.

Michelle Thomson: Earlier, you talked about Roosevelt and the first 100 days—it is often quoted. In the first 100 days, you have done some things and we have talked about the strategy on external affairs and relentless focus on outcome. As a broad overview, what do you see as the key challenges in your role as permanent secretary? I do not mean in reporting to ministers; I mean organisationally. A fresh perspective is good. What do you see as your key opportunities?

John-Paul Marks: I will start with challenges, which I tried to set out in my opening statement. In my first month, there was literally a resilience contingency call every week about the storms in Scotland—it seemed slightly relentless in January. Everybody across the transport network, resilience networks and local government was working flat out to respond well. We then launched into the omicron peak, when we saw our highest infection rates of the whole pandemic. That was followed by war in Europe, and now we have inflation above 7 per cent and the cost of living crisis.

I must confess, the risks and the strategic operating environment are significant, and the headwinds that are impacting recovery give me cause for concern. That translates into issues such as long-term fiscal sustainability and the impact of those risks on our public finances and on the resilience of our systems to recover well.

We reflect quite a lot on how we build the resilience and wellbeing of the team to manage concurrent crises calmly, with confidence and by using good data and evidence to ensure that we are giving our ministers the best advice that we possibly can as we manage current events with as much grip and care as we can. In relation to your point on opportunities, at the same time, we focus on the long term and whether we can do the fundamentals in Scotland to deliver our recovery by tackling the cost of living crisis, seeing child poverty fall throughout this parliamentary session, getting the drug death rate down, closing the attainment gap, reducing the prison population and giving our health service the chance to recover so that we can return to the pre-pandemic levels of performance and finish the session with our health service having the resilience that it needs.

If we do all that while also making progress on achieving net zero by 2045, there will be significant ambition and opportunity to ensure that Scotland fulfils its potential. However, I am acutely aware that we are doing that in the context of the significant risk that is impacting our economy, our systems, our institutions and our workforce, and we need to look after them as best we can.

Michelle Thomson: My closing remark is that I am a bit surprised that you have not included more around organisational challenges. Someone brought up silo working, culture, risk appetite, innovation, use of technology and so on. I am conscious of time, but will you briefly tell me whether you will be writing an overarching strategy paper? What you are describing is operational, but I am talking about systemic, organisational change. Many of those challenges are inherent in business organisations and in public sector organisations, particularly the use of artificial intelligence. Do you produce something like that in your role as permanent secretary?

John-Paul Marks: We were having a conversation about how we build on “In the service of Scotland”, which is our corporate strategy, and bring more definition to it as we emerge from the spending review. Earlier, I referenced corporate transformation, and the point was made about our work with this committee on our digital strategy, our estate strategy, our multiyear workforce strategy for the Parliament, our public body sponsorship, how we embed best practice, and ensuring that propriety and ethics are working well.

Ultimately, I see the civil service and our service of ministers as a function to achieve those outcomes. You used the word “operational”. A lot of my background is in the leadership of major projects and services at scale. I look at each of my teams and ask whether they have the data, whether we understand what is going on, whether we have the right strategy and the institutional alignment, whether we are delivering the changes well and whether outcomes are improving. I want to coach and support that culture of delivery excellence across Scotland. We have a lot of strengths to build on in that area, but I will focus on rigour in delivery to improve outcomes.

12:00

Douglas Lumsden: I will be quick, because of the time. On the missing records related to the Ferguson Marine contract, how can we be assured that lessons have been learned and improvements made when it comes to record keeping and recording decisions correctly?

John-Paul Marks: I absolutely understand the importance of providing that assurance. As we tried to set out earlier, many changes have already been made to ensure that our governance and procurement processes are robust—including changes in our information management practices.

Given the time, if it would help the committee we can provide something in writing on assurances that we can give now about where the continuous improvement plan has got to on record keeping,

and the next steps. We can also keep the committee up to date on how that progresses. Like you, I seek assurance in order to be confident that we are where we need to be.

Douglas Lumsden: That would be good, but would we not get full assurance if a proper investigation were to be done into the decision making on the contract?

John-Paul Marks: There have been two inquiries to date: the parliamentary inquiry and the Audit Scotland report. The documents are published on the organisations' websites, and the matter has been spoken about for seven years.

The lessons on information management have been very clearly understood by my team and by ministers, which is why my predecessor put the continuous improvement programme in place. The programme has made good progress and systems and disciplines are much improved. However, like you, I am assuring myself—because I am new to the post—that all is well. I am very happy to appear before the committee as regularly as members wish it to update on progress and hear more feedback.

Douglas Lumsden: A full investigation would bring all those things together; it would show what has happened and what has gone wrong, and it would show the lessons learned and improvements that have been made so that the committee can be assured that everything is well.

John-Paul Marks: The parliamentary inquiry did that and Audit Scotland also did it in its report. I agree with Audit Scotland's recommendation that once vessels 801 and 802 are built and launched we should take stock of further learning.

I visited the shipyard the other day. I appreciate the new chief executive's leadership; he is pragmatic and focused. It was good to see his public comments in the media last week.

As we discussed earlier, we will ensure that we apply the business investment framework consistently, where public investments are concerned.

There has been a lot of scrutiny of the past, quite rightly, and the recommendations from the inquiry and Audit Scotland report are clear. We have accepted them, and we need to ensure that we deliver on them consistently.

Douglas Lumsden: I will move on. I have another question about Leslie Evans. She retired at the end of the year, but was paid until the end of March. Is that correct?

John-Paul Marks: She left the role on 31 December 2021. At that point she no longer held the authority, accountabilities or responsibilities of the role, which transferred to me. She had a contractual agreement with regard to leave in lieu, but she finished and retired on 31 December.

Douglas Lumsden: It is my understanding that she was paid until the end of March. Is that correct? I am only trying to get my head around what she was doing that meant that she could not appear before the committee, because she was still an employee.

John-Paul Marks: As I have tried to explain, I have appeared before two committees since that date because it is for the permanent secretary—for me, because I am in the role—to appear. Leslie retired and therefore is no longer accountable to ministers, so she does not appear as the permanent secretary for the Scottish Government after 31 December. That is why I am here, instead.

Douglas Lumsden: We appreciate your coming to the committee, of course. However, from our point of view, Leslie Evans was still employed and had relevant experience from which the committee could have learned, but she did not come.

We talk about openness and transparency, but there are missing records from Ferguson's, questions about guarantees and legalities at Lochaber, Leslie Evans refusing to come to the committee, and the Scottish Information Commissioner ruling that the Scottish Government is withholding legal information that it could provide. Do you accept that there is a perception that, when it comes to openness and transparency, something is wrong that needs to be fixed quickly?

John-Paul Marks: I have tried to set out some perspectives on what we are doing to continue to improve delivery of leadership in the civil service in the service of our ministers and Parliament in Scotland. We talked about continuous improvement of information management and whole-public-sector accounts. I know that Paul Johnston is looking forward to his meeting with you over lunch, at which he will talk about the improvements that we are making to the national performance framework and the opportunity for the consultation and the committee's inquiry to contribute to the process.

I am committed to the concepts of delivery excellence, continuous improvement and rigour in our leadership of the civil service, but what I observe in Scotland, as I referenced with regard to the people survey results, is healthy democracy and good governance. Audit Scotland is clearly empowered—Stephen Boyle and I have had a number of conversations—and is expert, challenging and robust. Engagement with it is positive and, as I said, we have accepted its recommendations with regard to Ferguson's, which you referenced.

In 2021, we handled 4,000 freedom of information requests, which was 25 per cent more than we handled in the previous year. You referenced the Scottish Information Commissioner. I have worked in the civil service for more than two decades; the convention that legal advice is protected so that ministers can create a private space for consideration of legal advice is well established. We are not talking about a convention that is somehow unique to Scotland; it is a well-understood convention. However, we note the commissioner's judgment and will respond ahead of the deadline. Ministers are giving the matter careful consideration.

We want to continue to improve. We absolutely will keep focusing on the feedback that we get and will make sure that there is rigour in delivery in that regard.

Douglas Lumsden: Thank you.

The Convener: We have almost exhausted our questions, although Daniel Johnson and I still have some.

Permanent secretary, we have discussed myriad issues this morning, including maintenance and improvement of ethics, openness and transparency, diversity, structure, improving data collection and retention, culture and behaviour, record keeping, outcomes, policy decisions, the relationship with Westminster and giving of evidence to committees.

However, we have not touched on a practical issue that exercises all members of the Scottish Parliament, which is ministerial responses to correspondence. Many MSPs, across the party divides, have expressed great frustration about the time that is taken to respond to letters on matters that are of extreme importance to our constituents, as you can imagine.

We realise that you have had staff issues in recent years because of Covid and so on, but the situation was not great before the pandemic. I have spoken to civil servants who deal with correspondence and I understand that a rigid process has to be undergone before a letter goes to a minister for sign-off. I appreciate that there can be a delay at that point.

What can be done to expedite the process? Also, what can be done to ensure that the response to a letter to a minister relates to the question that is asked? Sometimes I have waited six to eight weeks for a response, only to then be too embarrassed—frankly—to send it to the constituent.

Another issue is that when I send an urgent letter to a minister, it does not seem to be treated differently from a letter that might not be time stressed.

Also, I have recently had to chase up the ministerial correspondence unit on issues that I considered to be of major significance—not to an individual constituent, but more broadly to my constituency—when I have not even received an acknowledgment after six weeks. I note that Liz Smith is nodding fiercely at that comment. What can be done to deal with that very practical and pragmatic issue, which affects all of us?

John-Paul Marks: I completely understand that frustration. I led a ministerial correspondence unit over a decade ago when I was parliamentary private secretary, first to the Rt Hon Yvette Cooper and then to the Rt Hon Iain Duncan-Smith, after the 2020 election. I absolutely understand that there is a desire to make sure that the response is right, which goes back to the point about accuracy and rigour. Of course that is right to do, but timeliness also matters, and your constituents and their needs matter, too. We want to respond efficiently and in a comprehensive way that answers the question.

Convener, with your permission, I can take that away, look at the latest data on performance then write to the committee with the steps that we think we can take to improve it further. I share your desire to ensure that the process is the best that it can be. As you said, the pandemic impacted on everything, including resourcing of our teams, but we want to ensure that our ministerial correspondence is robust.

The Convener: I am not going to ask you to detail a process now, because you have just given me a commitment. I understand that there is a process whereby you have several days to look at a question, then a manager has several days to look at it and so on. I believe that that process can be truncated. We all have situations in which our constituents contact us directly on issues that do not involve ministers but which deal, for example, with local authorities. We try to deal with those issues on the same day. I am not suggesting that that is a possibility for your office, given the constraints that you have at this point, but there must be a way of expediting responses.

I will say one more thing, about written questions. For many years, from when I was first elected in 1999, I would ask written questions and I would get an answer to them. Now I am sent to some website—a link to this or a link to that—or am told that, if I want, I can look at a table that is sitting in the Scottish Parliament information centre. If I wanted to look at a table that was sitting in SPICe, I would be down in SPICe looking at that table. When people ask questions, they ask them for a specific purpose. If I asked the question in the chamber, I would not be told to go and look at a table in SPICe; I would be given an answer of some sort.

All I am saying is that those things have to be considered much more, just as we have discovered and considered broader issues including diversity, openness and transparency. They are very important issues; there are 129 MSPs and I am sure that they have all been in that position.

Daniel Johnson: I am almost tempted to leave that as the final word, because it is so important.

Nonetheless, I want to follow up on some of the points that have been made about freedom of information requests. I challenge the point about the importance of legal advice, because I do not believe that the issue is limited to that.

On 8 April, the *Financial Times* published an article that resulted from a freedom of information request on communications on its original FOI request regarding the Gupta guarantees. Among those communications, there was an email from 29 September between civil servants in the Scottish Government in which the following was stated:

> "Here is the long-awaited decision in the Lochaber smelter appeal. Unsurprisingly, the Commissioner has not upheld our s.33(1)(b) arguments, as we have been predicting since at least the review stage. That said, I imagine this is not what Economic Development colleagues were hoping for. I'll start thinking about what we say to them".

The point is that it is very clear that officials in the Scottish Government were knowingly withholding information following requests, when they knew that it was highly likely that that decision would be overturned by appeal. Furthermore, those final sentences seem to suggest that there was internal pressure on them to do so.

It is one thing to withhold information on principle, and another to defend that on request. However, when you start knowingly to withhold information, while knowing that you are highly likely to have to reveal that information on appeal, are you not into slightly different territory? Are you not actually knowingly withholding information, and is that not suppression?

John-Paul Marks: The honest truth is that I have not read that email, but I am very happy to do so and to respond to you. I appreciate that that was a complicated transaction with a lot of complicated factors—not least what was recently reported in the media about investigations.

Your underlying points are about culture, rather than the transaction itself. I have talked about us leading in the best traditions of the civil service and about rigour in delivery. I expect us to lead with integrity and honesty. Of course, where there are very complex transactions—you can imagine that the legal and commercial advice is also very complicated—there is a judgment and advice is provided about what to release, to ensure that we are protecting investments, protecting shareholders and managing our information legally. All that needs to be handled very carefully.

To address our approach to freedom of information more generally, I spoke about assuring myself on record keeping. I am doing the same on freedom of information. I am looking at the end-to-end process and at the checks and controls to assure myself that they are robust. I am very happy to meet you separately, Mr Johnson, or to write to you about that.

Daniel Johnson: I would be keen to correspond or meet about that. Finally, you have agreed to come back with an outline of your approach on record keeping. Can I confirm that you will include in that your understanding of the requirements in the civil service's "The Green Book", the Scottish public finance manual and the Public Finance and Accountability (Scotland) Act 2000 on record keeping on those sorts of decisions and others.

John-Paul Marks: We will.

The Convener: On that note, I will end the meeting, which has been long. I appreciate the permanent secretary's responses to the committee's questions. We will continue to explore issues relating to public administration in government.

That concludes the public part of today's meeting. The next item, which is consideration of appointments and reappointments to the Scottish Fiscal Commission, will be in private.

12:17

Meeting continued in private until 12:28.

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