

# **FINANCE COMMITTEE**

Tuesday 13 January 2004  
(*Morning*)

Session 2

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## FINANCE COMMITTEE

### 1<sup>st</sup> Meeting 2004, Session 2

#### CONVENER

\*Des McNulty (Clydebank and Milngavie) (Lab)

#### DEPUTY CONVENER

\*Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP)

#### COMMITTEE MEMBERS

\*Ms Wendy Alexander (Paisley North) (Lab)  
\*Mr Ted Brocklebank (Mid Scotland and Fife) (Con)  
\*Kate Maclean (Dundee West) (Lab)  
\*Jim Mather (Highlands and Islands) (SNP)  
\*Dr Elaine Murray (Dumfries) (Lab)  
\*Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD)  
\*John Swinburne (Central Scotland) (SSCUP)

#### COMMITTEE SUBSTITUTES

Mr Adam Ingram (South of Scotland) (SNP)  
Gordon Jackson (Glasgow Govan) (Lab)  
David Mundell (South of Scotland) (Con)  
Iain Smith (North East Fife) (LD)

\*attended

#### THE FOLLOWING ALSO ATTENDED:

Susan Deacon (Edinburgh East and Musselburgh) (Lab)  
Dr Sylvia Jackson (Stirling) (Lab)  
Christine May (Central Fife) (Lab)  
Mike Pringle (Edinburgh South) (LD)

#### THE FOLLOWING GAVE EVIDENCE:

Mike Garden (Scottish Executive Corporate Services Department)  
Paul Rhodes (Scottish Executive Corporate Services Department)  
Tavish Scott (Deputy Minister for Finance and Public Services)

#### CLERK TO THE COMMITTEE

Susan Duffy

#### SENIOR ASSISTANT CLERK

Jane Sutherland

#### ASSISTANT CLERK

Emma Berry

#### LOCATION

The Chamber



# Scottish Parliament

## Finance Committee

*Tuesday 13 January 2004*

*(Morning)*

[THE CONVENER *opened the meeting at 10:05*]

### Petition

#### Scottish Natural Heritage (Relocation of Headquarters) (PE670)

**The Convener (Des McNulty):** I welcome the press and public to the Finance Committee's first meeting in 2004 and I remind everybody to switch off pagers and mobile phones. I wish everybody a happy new year and congratulate Wendy Alexander on her marriage since we were last all together. We have received no apologies, but I understand that the roads down from Dundee have some traffic difficulties, so I expect that Kate Maclean will join us later.

I welcome Susan Deacon, who is attending the meeting for agenda item 1, which is further consideration of the issues that are raised by petition PE670, on the relocation of Scottish Natural Heritage. When we accepted the petition's referral to the committee, we appointed Fergus Ewing and Elaine Murray to act on behalf of the committee as reporters to consider the Executive's relocation policy in general, as well as consider the relocation of SNH. Today, we will take evidence from the Deputy Minister for Finance and Public Services, Tavish Scott, whom I welcome to the committee. He is joined by Executive officials, who are: Mike Garden, who is the head of the corporate responsibility unit; Paul Rhodes, who is the head of facilities and estates services; and Carol Chalmers and Katy Spiers from the relocation policy unit.

Members have a copy of the report that Elaine Murray and Fergus Ewing have produced. I thank them both for their work on behalf of the committee. Members also have copies of all the submissions and correspondence that were sent to the reporters. Yesterday, members should have received a response from SNH to a letter from the Public and Commercial Services Union that asked questions about net present value. In case members did not receive that letter, it has been circulated today.

I do not doubt that members will want to ask several questions. As well as answer those questions, the deputy minister wants to talk more broadly about how the relocation policy will operate in future, so I invite him to make an

opening statement, after which I will invite members to ask questions. We are pleased to hear from the deputy minister.

**The Deputy Minister for Finance and Public Services (Tavish Scott):** I thank the committee for the invitation to be grilled this morning, which I have read about with interest in all my papers for three days. Detailed consideration of the relocation policy is timely. I will take a moment to open with thoughts on the policy in general, after which I will be pleased to answer questions and to examine closely the report that Dr Murray and Mr Ewing produced, which I read and found helpful.

We are conscious of progress on the relocation policy. We wish to revitalise that policy and to provide a more detailed explanation of our policy objectives, so the committee's invitation to give evidence is timely. The relocation policy has operated since 1999. As the committee has noted, the policy evolved during the first session of Parliament as ministers saw how organisations responded to the policy and the issues that arose. Changes were made to guidance and procedures to bring outcomes more into line with our objectives. For instance, different approaches were taken to counteract the tendency to cluster relocation options around Edinburgh. The start of the second session is the logical time to take stock and to make more explicit how the policy fits into wider objectives.

The Executive is committed to ensuring that the Government in Scotland is more efficient and decentralised, as part of our wider vision of a more accessible, open and responsive Government. The relocation policy is part of that vision. It can also help us to address problems in some parts of the country.

In considering relocation reviews, our objectives fall under three broad headings, whose relative influence may vary from case to case. In some cases, they may be balanced, but in other cases, one objective may dominate.

First, relocation can provide more cost-effective service delivery solutions by allowing organisations to operate away from some of the pressures of the Edinburgh market. Secondly, it can assist areas that have particular social and economic needs. The impact of a relocation, such as that of the Accountant in Bankruptcy on communities in Ayrshire, can be significant.

Our small units policy also addresses the issue, through its focus on smaller and more remote communities. The Executive recognises that in remote and rural areas, other opportunities are hard to find and that even a small number of additional jobs can make a significant difference.

The third main objective relates to our vision of a decentralised Scotland. We do not want devolution

to mean the concentration of all things in Edinburgh or of all things in the central belt. We must be realistic about what can be achieved; the policy covers a range of organisations and about 30,000 jobs, two thirds of which are already located outwith Edinburgh. That compares with a total of more than 600,000 public servants in Scotland, the great majority of whom are dispersed around Scotland and work locally for local authorities, the national health service, the armed forces or, indeed, for UK Government departments. It is good news that public sector employment is already so widely dispersed, but that limits the additional impact that we can have with the jobs that the Executive has scope to direct through its relocation policy.

As the policy has matured and evolved, so too has the process of conducting reviews. For example, to ensure that our objectives on social and economic need are addressed, we have increased the weighting that is given to those issues. In recent reviews, we have suggested that a 50 per cent weighting should be given to socioeconomic considerations in the qualitative assessment of options. Those considerations include data on unemployment, underemployment and the availability of suitably skilled labour. They also include deprivation indicators, such as the Scottish index of multiple deprivation 2003, and other factors that might be of particular relevance to individual bodies.

Reviews must take into account a range of other considerations—among those will be business efficiency, including the position of staff, costs, sustainable transport and the availability and suitability of property. The weighting that is given to those factors will vary depending on the nature of the organisation that is under review. It is important to ensure that staff and trade union views are taken into account from the outset and we require those views to be reported to us in reviews.

Those considerations will not all point in the same direction—ministers have to balance the issues and sometimes we have to take tough decisions. However, we are confident that those decisions will bring long-term benefits to the country as a whole. We want the benefits of devolution to be spread more widely, but this is not an anti-Edinburgh policy. Since 1999, decisions have been made to relocate about 1,250 posts from Edinburgh. The Executive remains determined to continue to make progress on that, but it hardly represents the challenge to the Edinburgh economy that is portrayed by some critics of the policy. Indeed, movement on that scale is hardly a dent in the growth that is forecast for jobs that is made by the City.

The policy will continue to operate on a case-by-case basis, which allows us to reach views about,

for example, the retention in Edinburgh of Common Services Agency and VisitScotland headquarters jobs, the movement of the Scottish Public Pensions Agency to the Borders and the movement of the Accountant in Bankruptcy to Ayrshire. The Executive does not expect to act in isolation in decentralising Scotland. For example, the Highland Council and Highlands and Islands Enterprise have shown that both decentralisation and dispersal of functions can work at the local level. For example, the relocations to Lochinver and Benbecula offer models that other public bodies might follow.

We have learned some important lessons from the relocations to date and we expect to continue to learn from best practice as the policy matures and organisations have time to settle in their new locations. A recent study of the economic impact of the relocation of the Scottish Public Pensions Agency to Galashiels concluded that the relocation's impact on the labour market in the Borders is significant. The study concluded that the annual impact on the Borders is £6.13 million and is equivalent to 289 full-time jobs. On a more individual level, the study found that 47 per cent of new staff stated that they were attracted to the pensions agency because working there meant that they would not have to leave the Scottish Borders. There is no doubt that the SPPA relocation has created opportunities for the new employees that they simply would not otherwise have had. The opportunity is to have

“an Edinburgh job in the Borders”.

That is at the heart of our aims in dispersal policy.

Devolution must be applied not just to Scotland but within it. In building a modern Scotland for the 21<sup>st</sup> century, we must avoid simply replicating the level of centralisation in London and the south-east of England that inspired many of us to campaign for devolution in the first place. The policy chimes with our agendas on best value and the modernisation of public services, and it will continue to do so. As equally legitimate and—I believe—compatible objectives, the policy is also concerned with dispersal and decentralisation of functions.

Committee members will note that later today, as part of the annual announcement that we make on relocation, a written parliamentary answer will indicate the latest position in relation to bodies that are entering the programme. I am happy to seek to answer any questions.

10:15

**The Convener:** Thank you. I offer Elaine Murray and Fergus Ewing the opportunity to highlight issues that arise from their report.

**Dr Elaine Murray (Dumfries) (Lab):** We considered two different aspects in our report. Fergus Ewing considered the Irish situation—it is helpful to consider the way in which another country has approached similar issues and the desire to relocate. As you know, I have a certain amount of parochial interest, as many of us do, because I represent one of the areas that does not succeed in attracting civil service jobs. It is helpful for people who have been unsuccessful to see the way in which the relocation policy has developed since it was introduced in 1999. The minister's explanation was useful, but will he comment on how we can ensure transparency in decision making?

The matter is not just about SNH—it is broader. However, to take the SNH relocation as an example, Inverness was chosen despite its having been discounted by the consultants because ministers and officials obviously thought that it was important for Inverness to get that relocation. Unless the reasons for such decisions are made transparent, it is difficult for anyone from outside to understand how they are made. For the same reason, it is difficult for people from the areas that were not successful to understand how they can compete. Will you say a little about the Executive's thinking on the process of making such decisions more transparent?

**Tavish Scott:** Dr Murray asks an entirely fair question. In the evolution of the policy, we have been keen to provide advice to organisations against the criteria that I outlined: socioeconomic factors, the availability of transport, property suitability and operational business matters. By doing so, we hope to make it clear to organisations that enter the process that ministers and the Scottish Executive will consider their business cases against those criteria.

Like all decisions that are made in Government, such decisions are political. Ministers have to balance the arguments with the wider policy objectives of decentralising Government and taking Government closer to the people, which are the wider aspirations that we all share in relation to devolution and Government in Scotland in general. We have to balance the big picture against the business case that is put by the organisation to the sponsoring department.

On SNH, my understanding is that the decision pre-dates the change in emphasis to socioeconomic factors and the development of criteria in the past year or so. As you alluded to, ministers took the decision in relation to the wider policy objective of decentralising Government.

**Dr Murray:** I appreciate that you were not among the ministers who were involved when the decision was made, so it is a difficult question for you to answer. However, do you know why

Inverness was chosen for the SNH relocation, given that it had been discounted and that it did badly in the initial tranche of analysis that was done on transport links?

**Tavish Scott:** I could argue that many areas of Scotland would not do well on transport links. On that issue, we could have a debate about areas that are close to our hearts, such as our constituencies, but if we focus only on transport, all peripheral parts of the country would struggle.

On SNH, I understand that ministers took a big-picture view that involved decentralising Government and ensuring that SNH sits at the heart of the communities that it is directly concentrated on and involved with. That is not to say that SNH does not have responsibilities throughout Scotland—of course, it most definitely does. However, the decision was made at the time of active consideration of the Land Reform (Scotland) Bill, the access code and many other issues of burning interest and I am sure that those issues weighed heavily. Ministers must balance the criteria in relation to transport, socioeconomic factors and business efficiency while they remember, and are conscious of, the overall emphasis on decentralisation of Government. As far as I understand the matter, that was the driving force in relation to that decision.

**Dr Murray:** Has the Executive considered approaching the issue in a slightly different way? If there is a perceived need for relocations to certain areas, we should flag up those areas as being where we want organisations to relocate and we should look for the most suitable organisations to relocate to those areas after discussions with staff, trade unions and others. That alternative approach would at least say to areas—I hope to areas that are, as the minister says, “close to our hearts”—that we want to find relocations that are suitable for those areas. The perception in many areas of the country is that they will never get relocations. That relates not only to Dumfries and Galloway—Clydebank and other areas that are close to the hearts of many members of the committee are in that situation. Those areas feel that they are never on the map. Would not it be easier if you said, “Those are the areas where we want to relocate, so we must find something suitable.”

**Tavish Scott:** That would be a very different policy from the current one in terms of the criteria and triggers that begin the process by which an organisation enters a relocation review.

The disadvantage of the approach that Dr Murray has outlined relates to the length of time that it would take—because of the nature and number of organisations coming through the process—to deliver a body or headquarters to every bit of Scotland. That would clearly take quite a long time and it would represent a fundamental change in our approach.

Although we will be happy to listen to the committee's thoughts on the matter, it would be better at this time to consider the policy in relation to the triggers that we have and that are used in relation to organisations. We must consider how those organisations enter the process and how we give them guidance, while very much allowing organisations—I mean organisations in the global sense—to come forward with business cases that are based on the criteria. We have increased the emphasis on socioeconomic factors so that they represent 50 per cent of the weighting and I hope—it is demonstrably the case—that that is coming through. The Accountant in Bankruptcy's relocation to Ayrshire, for example, exactly illustrates that point. Ayrshire is an area that not long ago was making strenuous representations about its not being seen as a candidate for relocations. I am pleased to see that we have been able to find a body that is now moving in that direction.

**The Convener:** Would you say that the SEIRU relocation and the report by Fuller Peiser Ltd are examples of your new approach or your old approach?

**Tavish Scott:** Sorry—which relocation?

**The Convener:** I mean the relocation of the Scottish Executive inquiry reporters unit.

**Tavish Scott:** That is part of the new approach; therefore the weightings and the separate criteria were used.

**The Convener:** So you are saying that that represents an example of new good practice?

**Tavish Scott:** That is correct.

**The Convener:** I will come back to you on that. In fact, perhaps I should follow up on that now, although I am anxious not to cut across Fergus Ewing too much.

The way in which the criteria operate in the report seems to be bizarre. It is very difficult to see how areas such as Ayrshire, Clydebank or Paisley are not disadvantaged by the way in which the new criteria are applied. For example, Clydebank, which I represent, is deemed to have no property and therefore scores nothing on rent, rates liability or service charges. It loses nine points automatically on the scoring system, which routinely takes it out of consideration.

On rail links, the top criteria appear to favour cities. The only way in which an area can score a maximum is by being a city centre. That means that Clydebank, which is a 90-minute journey from central Edinburgh, loses out relative to Inverness, which is much further from Edinburgh. Edinburgh appears to score equally to Clydebank on the index of areas of deprivation because of the way in which the criteria are applied.

Some serious questions must be asked about the way in which the criteria operate. We must consider their technical aspects. A number of areas in Scotland—such as Inverclyde, Clydebank and Paisley—that have the highest levels of unemployment in Scotland are, in effect, ruled out by the way in which the criteria, which from the minister's own account are supposed to favour deprivation, operate. That is a serious issue.

Elaine Murray picked up on another important issue. If a relocation is to have a serious impact on the economic development of an area, there has to be some mass to the relocation; opportunistic small relocations will have only limited impacts. Only significant relocations will make significant economic impacts, which suggests to me that an opportunistically triggered relocation policy will be less effective than a strategic relocation policy.

Should there not be a strategic relocation policy that focuses on bigger relocations rather than on relocations that are triggered by the end of office leases? One of the downsides of the current system is that all small offices in Edinburgh or Glasgow, which are also caught by aspects of the way in which the policy is currently articulated, figure in relocations at the point at which their leases end or when their current location is up against a break point. Would it be better for Government to say, "What we need to do here is consider a strategic process of putting a significant number of Government jobs into area X, which needs them, or area Y, which needs them, in order to carry out an economic reinvigoration." That approach seems to be more in keeping with what you say you are trying to do than the approach—even in its modified format—that you appear to have adopted.

**Tavish Scott:** The policy has evolved, which we have sought strongly to achieve in terms of socioeconomic criteria and the weighting that is given to them.

I do not begin to accept that our approach is opportunistic. The criteria that trigger relocations are not only about lease breaks or organisations that are going through fundamental change; they are also about new bodies. Thus, the Scottish Commission for the Regulation of Care and other organisations have been located in different parts of Scotland during the young life of the Parliament. I do not accept that there is no strategy behind the relocations, nor do I accept that we are opportunistic. We are clear about what we seek to do both in relation to new bodies and in relation to changes to existing bodies when there is a lease break. I hope that, to some extent, the emphasis that we are putting on socioeconomic conditions will deal with your point about considering closely those kinds of criteria. I take the convener's point about the particular case that he mentioned and I



will let Mike Garden deal with the detail of that case.

We must bear it in mind that the reports to which you referred are studies: they are not reports that the Government has produced, but were done by a consultant on behalf of a particular organisation. It would be wrong of us directly to instruct either the organisation concerned or the study. Our job is to stand back from the study and to take the advice that comes forward from the organisation and bear it in mind.

**The Convener:** Your policy is to have a relocation strategy that links to socioeconomic disadvantage. That is how you articulated the policy. If every time there is a consultant's report a different set of criteria is applied, it is difficult—as Elaine Murray said—for people in various parts of Scotland to know how to meet the criteria because a different mechanism is employed each time. The point applies all the more given that the way in which the criteria are employed appears to offer no hope at all to the areas that one would have thought should benefit most from the policy, if one followed its logic. That is a fundamental problem.

10:30

**Tavish Scott:** I will let Mike Garden deal with the question, but I take the point, to which I think you are alluding, about the consistency of approach that should be taken by consultants. I trust that the same statistical base would be used by all consultants that make assessments under the criteria. Mike Garden will pick up the point about the particular organisation and how the study was done.

**Mike Garden (Scottish Executive Corporate Services Department):** As the minister said, we regard the study that the consultants Fuller Peiser carried out for SEIRU as an example of good practice in that it adopted an overall weighting system and used the individual weightings that were ascribed, principally the figure of 50 per cent for socioeconomic factors. As yet, we have not sought to micromanage the work of consultants and bodies within the broad framework but, to that extent, I agree that they sometimes come up with rather perverse conclusions. Ministers will be informed by the study, but will not—of course—be bound by it, although it is one of the matters that they will take into account.

The SEIRU report was the first to reflect ministers' desire that socioeconomic considerations be given greater weight. In keeping with the way in which the policy has developed over the years, the weightings and their application have evolved in the past year and we hope that there will be continuous improvement. It is important to point out that we cannot be over-

prescriptive in the advice that we give about individual weightings. For example, if we said that transport criteria had to be applied in a certain way, that would ignore the fact that relocation policy is decided case by case in order to take into account the nature of the organisation that is under review. We would therefore apply exactly the same transport weighting to VisitScotland—which has a demonstrable need for proximity to an airport given the frequency with which the marketers travel around—and to the Accountant in Bankruptcy, the staff of which are primarily case workers.

In a rather exaggerated way, that example illustrates why we cannot simply take one set of micromanaged weightings and apply them across the board. A one-size-fits-all approach would not serve anyone well because the bodies that conduct reviews require flexibility to allow them to reflect the nature of the organisation.

The minister has already challenged the allegation that the policy on triggers is in some way opportunistic. On the rationale behind some of the triggers' being property driven, I ask what better time there would be for existing organisations to reduce the impact and cost of relocation than a significant property break. Such breaks allow organisations to minimise the cost of relocating.

**The Convener:** I understand that there must be a combination of opportunistic and strategic approaches—that is always the way in which strategies work. However, I am concerned that, if the Fuller Peiser report is followed through, the way in which the criteria operate will offer no hope at all to the Borders, Dumfries and areas to the west of Glasgow because, under the criteria, relocations will be geared to places such as Stirling and Dunfermline. In fact, Edinburgh city centre comes out with a pretty high score of 27 points, which makes it about the fifth or sixth highest-scoring location.

From the minister's statements, the policy is supposed to be geared towards places where there is social and economic deprivation. The fundamental problem is that, given the criteria, the Executive cannot make that claim. If the Executive wants to make that claim, it must work towards producing different criteria. Perhaps some of the problems arise because of technical flaws in how the scoring operates, but the fundamental issue is that the Executive must begin to put in place a mechanism such that areas such as Clydebank or Dumfries can receive some of the jobs, or at least such that they are not ruled out at the starting post before the mechanism is used, which appears to be the case at present.

**Tavish Scott:** I will make two brief points. First, the Enterprise, Transport and Lifelong Learning

Department's work on the framework for economic development in Scotland includes a strong feed into relocation policy. The department's on-going work on FEDS will allow further consideration of your general point, convener.

Secondly, as I explained earlier, I am sure that we are all conscious that the final decision is not based only on an organisation's business case; it is also based on the wider relocation policy objectives that ministers have established and with which they work. The points that the convener made are covered because ministers take into account the overall policy objectives of decentralisation and creating opportunities throughout Scotland when they take final decisions.

**The Convener:** Yes, but in practice, the relocations that have taken place have concentrated in an arc around Edinburgh. That is my point of concern.

**Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP):** It is otiose to say that we all wish our own areas to benefit from the effective deployment of public funds. However, I do not understand—my incomprehension is shared by the trade union and the staff of SNH—why the relocation decision was taken against the advice of SNH and of DTZ Pieda Consulting Ltd, whose report, I believe, cost about £20,000. In your letter of 13 October 2003, minister, you stated that ministers received and took into account the DTZ Pieda report and a submission from the SNH board. In paragraphs 5 to 7 of our paper, which you called helpful, we point out that Inverness was not the first choice or the second choice, but the 24<sup>th</sup> choice, according to DTZ Pieda, and that, while it was put on a short list of five, it was dropped on the ground of cost.

I have learned from Mr O'Neill, who represents the SNH work force through the trade union, that the gross cost of the move is now estimated to be £45 million. Mr O'Neill has told me that the net cost—in other words, the additional cost of going to Inverness as opposed to staying in Edinburgh—has risen from £12 million to £23 million. We are not yet on a Holyrood multiplier—we have only a 100 per cent rise so far—but we seem to be heading in that direction.

I have a few specific questions. In our paper, Dr Elaine Murray and I suggested that, as has happened in the Holyrood inquiry, the civil service advice on the matter should be published so that the staff, the public and everybody who is interested can see it. I suspect that the advice was that the decision would be a brave one—in other words, it should not be touched with a barge pole—and that the advice was disregarded. Dr Murray and I have suggested that the advice that ministers received when the decision was taken

just prior to the election should be made public, given that the code on the practice and publication of civil service advice expressly permits the publication of such advice where the public interest merits it. Do you accept that that is a sensible suggestion?

**Tavish Scott:** No.

**Fergus Ewing:** Will you say whether the civil service advised against Inverness?

**Tavish Scott:** As you well know, Mr Ewing, I am not going to get into the advice given to ministers before the election or indeed at any other time, because, as you know, the code governs that.

**Fergus Ewing:** I am sorry to hear that, although I am not surprised. The Executive would do well to take a leaf out of Lord Fraser's book—it should learn a little more about transparency from an unelected peer.

According to Donald Dewar's written answer from 1999, the first criterion that the Scottish Executive should apply is that

"the location of the Departments and agencies of the Scottish Executive and the bodies it funds should promote efficiency and effectiveness."—[*Official Report, Written Answers*, 15 September 1999; S1W-1558.]

According to the SNH submission, 7.3 per cent of the staff have said that they will go to Inverness; the remaining 93 per cent might not. How does relocation promote efficiency and effectiveness if 93 per cent—more than nine out of 10—of the staff of Scotland's natural heritage body have said that they do not want to be part of the organisation if it goes to Inverness? How on earth can Donald Dewar's objective be achieved in this case on the application of any criteria?

**Tavish Scott:** I am amazed that you are pursuing that line of questioning, Mr Ewing, although I am not surprised. I have here a comment that you made on 28 October 2002, when you said:

"What we need are firm decisions, not more policy and procrastination."

You argued strongly then and in the local papers—I have read the cuttings—for the relocation of SNH to Inverness, but today you seem to be giving the impression that you do not want it at all. I presume that you heard me say clearly in reply to Dr Murray that, as I am advised and led to understand, ministers took a decision on SNH based on the overall policy initiated in 1999 of decentralising government, bringing it closer to the people and embedding it in different communities throughout Scotland.

On business efficiency and the organisation's operational effectiveness, I accept that relocation decisions will be difficult for staff and that some

staff—indeed, many staff—might choose in particular circumstances not to relocate with their organisation. We have to accept that that is part of the process.

You either want relocation or you do not, Mr Ewing. You cannot have it both ways, but it strikes me that you are trying to have it both ways. The Executive believes in a relocation policy and accepts that there are some downsides to that. However, we also accept, as I hope that you might, that we must consider and make decisions on such issues taking into account what might happen not only over one or two years, but over 30 years, for example, because that is how the assessment is made. I believe strongly that such an assessment needs to be made for SNH.

The letter of 10 November to the committee from Ian Jardine, the chief executive of SNH, makes the figures clear. As the committee knows, that information is part of the project plan, which the department and ministers are considering. There is a full explanation in the letter, but, as Mr Jardine says, the work is on-going and, as I think the convener intimated at the start of the meeting, further advice will be provided to the committee. That is entirely right and appropriate and I look forward to reading the committee's findings on the costings. However, as I am sure you would expect, Mr Ewing, work is in progress on, for example, the headquarters and until those details are nailed down—I am sure that you would not expect them to be negotiated in public—there will not be a final figure for the relocation costs.

10:45

**Fergus Ewing:** The minister is right to say that I lobbied for my constituency to receive more jobs from SNH, but I did not realise at the time how successful I would be. In fact, I met John Markland and Roger Crofts to suggest that functions of SNH should be devolved before the decision was taken. Now that SNH is coming to Inverness in its entirety—apart from the U-turn whereby around 50 jobs will stay in Edinburgh, as was announced just after the election—of course I support more jobs coming to my constituency, although there is an argument to be had about whether £45 million could be used more effectively in Inverness, such as by buying out the public finance initiative at Inverness airport terminal, for example.

We are here to seek the minister's responses—although I felt impelled to comment on his gratuitous remarks—and I will probe him on the cost. Does he accept the trade union's figures that the gross cost is now £45 million and that the net cost is therefore £23 million? Is there any cost rise that would be unacceptable, if the cost estimates were to increase further? The figures seem to be based on the assumption of a very low

accommodation figure in Inverness, given the growing value and cost of occupying property there and the fact that the period of temporary occupation will expire in March 2006. In other words, it is assumed that the new building in Inverness will be ready by March 2006 and, until that point, two sets of temporary offices will be required. If that deadline of March 2006 is not met—I do not think that there is a cat's chance of its being met, any more than that Holyrood could have been ready by 2001—the costs will be even higher. Does the Executive have a guaranteed maximum price in mind, or is the sky the limit?

**Tavish Scott:** The persistent attempt to link SNH and Holyrood is ridiculous, even by Mr Ewing's standards, although it will no doubt provide a good press release for *The Courier and Advertiser* tomorrow morning. Could we stay in the real world, as opposed to the one that he seeks to invent? Let us be clear about the costs. It is SNH's responsibility to submit robust figures for the project plan to the committee and the Executive and that is what it is doing. The figures that have been submitted illustrate an estimated net cost of £22 million. The net present cost calculations are not a way in which we construct a budget; under Treasury rules, they are our mechanism for assessing competing costs and options. That is what is going on and it is part of the project plan. I am sure that Mr Ewing, who, as he said, has discussed the matter with the union, is aware of that.

Let us be clear about the costs and what we are trying to achieve. Of course the Scottish Executive is trying to achieve the best possible best-value financial package in relation to the relocation; we will continue to work through the project plan with SNH to do that. To pluck figures out of the air and link the relocation and Holyrood is ridiculous.

**Ms Wendy Alexander (Paisley North) (Lab):** I will return to the bigger issue of relocation policy. I am not sure whether my question is one for you, minister; I suspect that it is one for your officials. You mentioned that the policy has undergone evolution, which would be expected over five years. I am trying to establish when the policy changed and when the Parliament was told about that. Could you or your officials tell us how the policy changed from 2001 to the present and when those changes were made known to Parliament?

**Tavish Scott:** I will let Paul Rhodes deal with the detail of that question. Rather than talk about changes, I would talk about evolution, which I have tried to do all the way through the meeting. In September 2002, a conscious decision was made to consider the weighting more carefully, which had an effect in terms of relocation options or organisations entering the process in December 2002. Therefore, that has been the policy for the

past year. However, we are talking about evolving the criteria and developing the percentage breakdown to which I referred earlier rather than about a clear change. Paul Rhodes has been dealing with the issue for longer than I have, so he may want to add to what I have said.

**Paul Rhodes (Scottish Executive Corporate Services Department):** I do not think that ministers have seen what has happened as a change in the policy. All the elements of the way in which the policy is now considered were present in the 1999 statement. What has happened in relation to the 50 per cent figure is that the type of advice and guidance that the department offers to bodies when they start reviews has been honed and fine tuned as we have moved forward, in order to obtain responses from organisations that match ministers' policy objectives. The policy is one of dispersal. Through the advice that it gives, the department is trying to help ministers to have bodies consider a spread of opportunities and to report those to ministers in relocation reviews.

**Ms Alexander:** I am trying to establish whether we are dealing with apples and apples or with apples and pears. In April 2002, you agreed a set of terms of reference with SNH. Was the SNH board told of the September 2002 decision to give more weighting to social and economic matters?

**Paul Rhodes:** At official level, SNH would have been aware of the decision. However, it would not have been stressed to SNH, because we were not applying it post hoc to existing reviews. The change in advice was issued to organisations as they started reviews after that point.

**Ms Alexander:** That is a critical issue. You are saying that the change did not apply to reviews that were under way, only to new ones.

**Tavish Scott:** Yes.

**Ms Alexander:** That means that the SNH decision was not affected by the decision to give greater weight to social and economic factors.

**Tavish Scott:** I understand that SNH was subject to the policy as laid out in the 1999 statement and as subsequently developed. However, the specific point that you make is correct.

**Ms Alexander:** In September 2002, you indicated that greater emphasis would be placed on social and economic factors. When was the figure specified as 50 per cent?

**Mike Garden:** I expect that that would have happened at the first meetings with the Scottish Executive inquiry reporters unit. I recollect that those took place in December 2002. However, as the minister says—it is important to re-emphasise this—it was not held to be reasonable or fair to ask bodies that had already started reviews and had

agreed terms of reference with consultants to change course in the middle of the process.

**Ms Alexander:** I appreciate that—indeed, that is where I was heading. If the department decided in September 2002—six months before the SNH decision was announced—that it wanted to change the criteria, it would seem sensible for it to have told the SNH board and to have had the consultants do the work again. Clearly, that did not happen, which takes me to an interesting question. When the original criteria were applied, DTZ Pida recommended a shortlist of West Lothian, Stirling and Perth, using exactly the same terms of reference that led the SNH board to suggest a new location in Edinburgh, with a second preference for Stirling and Perth. Inverness did not feature at all. Why, when ministers were allegedly applying the same criteria, was Inverness selected, although it appeared nowhere on the lists of DTZ Pida and the SNH board? Today we have heard from officials that the same criteria were being applied. Can anyone offer an insight into what happened?

**Fergus Ewing:** It was my representations what won it.

**Tavish Scott:** I will not be drawn. My best understanding of the decision is that the wider objectives of relocation policy were considered to be paramount in relation to SNH. Achieving decentralisation of jobs and the potential for placing parts of government around Scotland were regarded as of considerable importance in the balance of the argument relating to SNH. I cannot expand on that.

**Ms Alexander:** I appreciate that at the time you were not the minister responsible. However, can officials clarify the essential insight that the criteria that were published in 1999 were used to agree with the SNH board the terms of reference for the review that were given to DTZ Pida and that the same terms of reference were used by ministers? Is that a factually accurate assessment of how the SNH decision was made?

**Mike Garden:** I did not catch the last thing that you said.

**Ms Alexander:** This morning, we have explored the fact that there was policy evolution. At issue is whether ministers were operating under a regime of policy evolution with respect to this decision and whether the work that was done by the consultants and the terms of reference that were given to the SNH board reflected an earlier regime. Today we have established that ministers were not operating under a regime of policy evolution, because they did not tell SNH or DTZ Pida that the terms of reference had changed and ask the consultants to re-examine the issue. I am trying to establish whether the three bodies that had a part to play in

the decision were comparing apples with apples and whether the same is true of all other relocation decisions.

**Mike Garden:** There is an important distinction to make between the evolution of policy and the evolution of the process of relocation reviews. That is a key distinction, especially in relation to the SNH situation. I see where Wendy Alexander is coming from. I suspect that her line of questioning is leading to the suggestion that the decision is explained by the fact that the policy had changed, but that is not the case at all.

We maintain that the Dewar statement of 1999 allows for a decision such as that to relocate SNH to Inverness. The vision part of the statement—which I believe Wendy Alexander may have been involved in drafting—concerned openness, accessibility and bringing functions closer to the communities that they serve. For that reason, the decision to relocate SNH to Inverness does not represent a policy change. It was clear that there was a change in the process for conducting relocation reviews. The first body to be affected by that change was the inquiry reporters unit. However, that was merely a process issue, the aim of which was better to realise ministerial objectives. It is worth re-emphasising the fact that ministers are informed by the findings of consultants' reports but are not bound by them.

**Mr Ted Brocklebank (Mid Scotland and Fife) (Con):** You suggest that, on the surface, some decisions appear perverse.

**Mike Garden:** No. Before you proceed, I would like to clarify that. I was saying that some of the individual weightings at which consultants may arrive within the broad framework of the application of the criteria may be considered perverse.

**Ted Brocklebank:** Okay. Nonetheless, to those listening to what has been said so far, it may appear that some of them are wilfully perverse. We are trying to establish why some of the decisions were made.

I do not want to spend too long on the Inverness situation, but I have two questions to ask. The first is about SNH, whereas the other is about an issue closer to my part of the world, Mid Scotland and Fife. I understand why the minister does not want to be drawn into guessing the eventual cost of relocating SNH to Inverness. I imagine that all kinds of comparisons with Holyrood loom horribly in his mind. He is refusing to accept that it will be anything like 10 times the estimated cost of £22 million. However, can he confirm that the cost will not be more than £45 million?

**Tavish Scott:** I do not recognise the £45 million figure. It is not part of the SNH project plans.

**Ted Brocklebank:** I refer to the £22 million estimate, plus the £23 million that the unions claim is the subsequent and on-going cost of relocation.

**Tavish Scott:** That is not part of the project plan that has been submitted to ministers or the letter that the committee has received from Ian Jardine, the chief executive of SNH. I do not recognise the figures that you have given. I repeat that ministers have a clear determination to ensure that SNH's figures are robust.

**Ted Brocklebank:** So the cost will not end up anywhere near £45 million.

**Tavish Scott:** The figures that the committee has received and that the Executive has in the project plan are the figures on which we work.

**Ted Brocklebank:** That does not sound like a resounding no.

**The Convener:** That is a comment, Ted.

11:00

**Mr Brocklebank:** We have talked to some extent about the relocation of offices. I would like to ask about new offices that are being set up outwith the Edinburgh area because of decisions similar to the one that you have been talking about this morning. I have always been interested in the siting of the Public Record Office in St Andrews in Fife. Somebody may be able to give you some background to that. The office has been sited in St Andrews and will be up and running within about a year.

**Tavish Scott:** Do you mean the Scottish information commissioner's office?

**Mr Brocklebank:** Yes. I live in St Andrews and think that it is a wonderful place in which to live. However, why was the decision made to site that office there? Was the decision taken on socioeconomic grounds? Would it not have been more sensible to have sited it in Glenrothes, for example, which has a joblessness problem and better transport links than St Andrews? What were the fundamental reasons for deciding that the office should go to St Andrews?

**Tavish Scott:** I apologise for the fact that I do not know the answer to that. However, I am sitting next to a man who does. He will give you an answer.

**Paul Rhodes:** That was not a relocation policy decision. The location of that office is not in the gift of Scottish ministers. The Executive simply provided assistance to the commissioner in locating premises in which to carry out the office's work. The location was not in the gift of Scottish ministers.

**Mr Brocklebank:** So it was entirely the decision of the commissioner where he wished to base himself. He could have gone anywhere.

**Paul Rhodes:** Yes. The commissioner is a parliamentary appointment, rather than an Executive appointment. If there was a control mechanism, it would lie with the Scottish Parliamentary Corporate Body or the Parliament.

**The Convener:** We have been joined by several other members, including Mike Pringle, Sylvia Jackson, Christine May and Susan Deacon, whom I welcome to the committee.

**Susan Deacon (Edinburgh East and Musselburgh) (Lab):** I thank the committee for giving me the opportunity to take part in the discussion. I am delighted that the committee has decided to investigate the matter.

We seem to have had clarification this morning that the SNH decision was made with reference to the original policy statement made on 15 September 1999 by the then First Minister, Donald Dewar. We seem to have heard that that policy is still live today. Can you tell me where one can find a clear statement of how the SNH decision is consistent with the statement of that policy, particularly in relation to efficiency and effectiveness, cost considerations and the position of the staff concerned? Is there one place where we can find one transparent statement of the basis for the decision with reference to that policy?

**Tavish Scott:** I am not sure that I could name one place. I am aware that there have been many parliamentary questions—indeed, many oral parliamentary questions, even at First Minister's question time—about the subject. Whether that is all pooled together in one concise—or, indeed, long—answer, I am not aware. However, if it would be helpful, we would be happy to put that information together for Susan Deacon in response to the point that she has made.

**Susan Deacon:** It would be very helpful to see that, not just for members, but for the individuals in the organisation concerned.

I note that, on several occasions, wider policy objectives have been cited as the basis for eventual decisions. We all understand that this is not a perfect science and that wider considerations will need to be brought to bear. However, is it not the case that, in the absence of any clear and transparent statement, either on the SNH decision or on any other individual relocation decision, with reference to agreed criteria, the definition of those wider policy objectives can be as long as the proverbial piece of string and can be a licence for any decision to be made at any given time?

**Tavish Scott:** Perhaps I just did not explain that very well. I accept the premise of the point, which

is that these are, ultimately, political decisions. I might argue that all government is, ultimately, a matter of political decisions. Certainly, relocation decisions are, ultimately, a political judgment of ministers—I accept that. I hope that ministers would be able to explain—either concisely or in a somewhat longer form—the decision to relocate any specific body with reference to the organisation's business case, the report and the criteria that were used, either post-evolution of the policies that we have discussed or in terms of organisations that were affected under the first regime, if I can describe it in that way. We would also explain such decisions in the context of wider policy objectives. Nevertheless, I accept the premise of the question, which is that these are, ultimately, political decisions.

**Susan Deacon:** I have a couple of final questions to finish off the line of questioning that I have pursued. Although I recognise what the minister has said about political decisions, I wonder whether he will take this opportunity to acknowledge that it is difficult to understand why ministers might make such a political decision, arguably unwisely, in the face of the opinion and evidence of every other party—I think that I can say that with impunity—that has examined or commented on that relocation decision. In relation to the SNH case, I note that the process of ministerial direction—which has previously been described by ministers as a “nuclear option”—was used not once but twice. Will the minister take this opportunity to acknowledge the fact that that makes the decision even more difficult to understand?

**Tavish Scott:** Many people—especially the SNH staff—feel strongly about the matter, and I recognise that representatives of Edinburgh constituencies feel strongly about it, too. It is difficult for me to elaborate on what I said earlier about the wider policy objectives and my understanding of why the SNH decision was made in that overall context. There are organisations that will continue to argue—Mr McNulty illustrated the point earlier—for large relocations of large bodies to different parts of Scotland. We have had significant discussion on the robustness of the criteria that were used in making that judgment. However, in overall policy terms, I would continue to argue that it is right that ministers are able to make decisions on relocation, recognising both the wider perspective and the weight of evidence that comes through during the course of the business case being put together. As Ms Deacon has rightly said, it is not an exact science, which is why I continue to argue that it is a political decision. Nevertheless, I take the point about the weight of evidence.

**John Swinburne (Central Scotland) (SSCUP):**

Does the minister agree that the Executive's criteria are totally flawed? Surely the main principle in relocation is to go to deprived areas and resurrect them, giving them a boost from Government to try to lift the whole community. As Des McNulty pointed out earlier, Clydebank is an ideal location, although it might not be as prestigious for this great organisation as Inverness. Is the appearance of where an organisation goes more important than the good that it will do?

**Tavish Scott:** Mr Swinburne says that our criteria are "totally flawed". I would be interested in exploring the precise nature of that comment and how we are "totally flawed". I take his wider point about the socioeconomic impact of relocation and the importance of relocating to the kind of communities that he described. We will continue to work hard on that; it is why the Accountant in Bankruptcy organisation is going to Ayrshire. We will continue to seek to make decisions with that strong theme in mind based on the points that Mr Swinburne and the convener have made. I accept that general premise and the need to continue to work on that basis. However, there are other aspects to consider as well. For example, under the small units initiative, a small number of jobs can be very significant, both in socioeconomic terms and in prestige terms, to peripheral parts of the country. We always have to balance those arguments, but if Mr Swinburne has specific criticisms of our criteria, we would like to hear them.

**John Swinburne:** Those criticisms were already highlighted when it was pointed out that Clydebank's lack of available office accommodation ruled it out right away. With the £45 million that is being spent, even our Executive could build suitable offices in Clydebank to meet the relocation criteria. Such a relocation would revitalise Des McNulty's constituency and would have a far better impact on Scotland overall than relocating up to leafy Inverness.

**The Convener:** I did not pay John Swinburne to say that.

**Tavish Scott:** We could perhaps debate that.

It is important to stress—I hope that Mr Swinburne will accept this—that it was the consultants who conducted the business case on behalf of that organisation who produced the evidence or otherwise on the availability of suitable office accommodation in Clydebank. I am sure that the matter is being pursued with them. The Government did not write the consultants' paper and the Government is not suggesting that there is no suitable office accommodation in that location.

I hope that the committee will accept that we must separate the business case that was put together by the organisation—or by consultants on the organisation's behalf—and the Government's assessment of the case against its overall policy objectives.

**John Swinburne:** I suggest that you take a long hard look at your consultants.

**Tavish Scott:** They are not our consultants. The consultants were employed not by us but by the organisation. Employing consultants is the organisation's job.

**The Convener:** There may be an issue there, but perhaps we can return to it later.

**Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD):** I have two questions. First, one element of the reporters' report—I think that you have read it, although it has not been touched on so far—highlights the United Kingdom Government's announcement on relocation. Is the Executive doing any work to try to attract UK Government departments to Scotland? If so, does the Executive have any mechanisms for doing that, or is it the responsibility of the Secretary of State for Scotland?

**Tavish Scott:** The Scottish Executive is involved in the Lyons review, which is on-going. There has already been contact at official level and the First Minister has written to the review. It is expected that there will be ministerial contact shortly. Obviously, the Secretary of State for Scotland and the Scotland Office are heavily involved because they have an important linkage role in Whitehall. The practicalities of such inward investment—if I may couch it in those terms—are being handled by Scottish Development International, which has the expertise, knowledge and ability to put together the locational advice that we hope will pay dividends over the coming year or so. The Lyons review is an important area for overall relocation policy and we are determined to try to achieve what we can from it, as well as from the European Union's decentralisation proposals.

**Jeremy Purvis:** Carrying on from the precedent set by the reporters and the convener, I too will indulge myself by raising a constituency issue.

You were accurate in your opening remarks about the positive impact that the Scottish Public Pensions Agency has had on the Borders and on my constituency, where it has created a number of new jobs and increased the spend in the local economy. The evidence that we have received on the low turnover of staff shows that the relocation has been successful in a part of the country where wages are still low and where the economy has suffered.

However, I want to turn to the consultants' report that the convener mentioned—I acknowledge that the consultants were not employed by the Executive. The report states that, of the 40 towns that were considered for the SEIRU relocation, the six towns with the lowest weighting were Dumfries and the five Borders towns, all of which scored zero points on the area deprivation index. I have great difficulty in reconciling those two things. Perhaps Mr Garden will call that a perverse conclusion of the consultants' report, but the issue highlights the need for consistency of application, which I think you have acknowledged.

On that basis, I seek assurance that areas to which civil service jobs have been relocated will not de facto be discounted or excluded from further relocations if the criteria of the policy that resulted in their receiving such relocations still apply.

11:15

**Tavish Scott:** I assure you that there is certainly no question of that. We continue to emphasise our case-by-case approach, so no area is ruled in or out.

On the earlier point, I have accepted the premise of the convener's question, which was about the need for consistency of criteria. We will go away and have a look at that.

**Jeremy Purvis:** I also want quickly to follow up on what the reporters said about the Irish experience. The figures from the Irish Government show that some of its relocations have been very small. I acknowledge the convener's point about the biggest impact coming from big relocations, but the Irish model shows that there is also the prospect for small numbers of jobs to be relocated perhaps, as Fergus Ewing said, from departments within agencies. What work is the Executive doing to relocate specific teams from within agencies and departments? Perhaps if such teams were relocated to other existing offices, that might bypass some of the problems of staff anxiety that come with moving en bloc.

**Tavish Scott:** The small units initiative, which was announced last year, is very much about the issue that you have described. Over the past six months or so, there has been active consultation with the local enterprise network across Scotland to consider and establish areas and—more to the point—specific locations to which such units could be relocated. That work has now concluded. During 2004, I hope that we will see a lot of progress on the location of small units. Like you, I recognise, as we all do, that such relocations can make a colossal difference to extremely rural and peripheral parts of the country.

**The Convener:** One thing that consistently comes across from the various studies that the

reporters carried out was that the consultation of the unions was perhaps not sufficiently thorough and did not always take place early enough in the process. Will the Executive consider issuing guidance to establish criteria or a framework for trade union consultation in relocation processes?

How should we deal with the position of people in non-departmental public bodies who, unlike civil servants, have no automatic right of transfer into other forms of employment within Edinburgh? Do any issues arise from the relatively low levels of transfer of existing employees to the new locations? How might that be improved?

**Tavish Scott:** Until now, we have seen difficulties with involving the Executive explicitly in discussions with unions about external bodies. We would be wary of such involvement, which would not be appropriate. I take your point about guidance and best practice, which are possibly the way to take the issue forward.

Back in November, Andy Kerr met the Scottish Trades Union Congress and the civil service union about that very issue, so there are on-going discussions. We are carefully considering how to ensure that union involvement and staff consultation and involvement through the unions are as active, as positive and as transparent as possible. We may set out best practice on how that should be done. We would be interested in the committee's views on external bodies, but I suspect that it would be inappropriate for us to be explicitly involved.

You are right about the transfer of staff of non-departmental public bodies. There is no automatic right of transfer. The Executive would seek to ensure that all the appropriate functions and support are put in place, but the issue is not simple. I do not suggest that I have easy answers, but we are considering the issue across Executive departments. Obviously, it is not only finance and public services that are affected.

On the low take-up of transfers, I hope that the Executive and organisations will always seek to encourage members of staff to consider the benefits of relocation, although I do not suggest that that is simple. It would be too easy to give a glib answer. Factors such as individual circumstances, potential disruptions and where kids go to school are involved. Obviously, we want to be as helpful as we can to people and organisations in the process but, ultimately, individual decisions are involved.

**The Convener:** I want to pursue the issue of contact and communication with your ministerial colleagues and with the bigger non-departmental bodies. One thing that is particularly attractive about the Irish experience that our reporters considered was the national spatial review—the paper refers to



"a national planning framework which details the concept of balanced regional development."

There are bodies in Scotland, such as Scottish Enterprise, that have responsibilities for regional development. I presume that such bodies could build factories or offices in Clydebank, Inverclyde or other parts of Scotland if they thought that there was a realistic prospect that relocation decisions might lead to such buildings being used. There could be an overall assessment of the impact of the economic benefits of relocation, linked into a broader economic strategy. Is there scope for further discussions with ministerial colleagues—perhaps with colleagues who are involved with planning or economic development—to determine whether maximum benefit will be had and whether maximum co-ordination of the benefits of the policy will be achieved to ensure that, as far as possible, areas of Scotland are not left out as a result of things not being properly co-ordinated?

**Tavish Scott:** Your argument has merit. Indeed, we have developed the small units initiative, which is a small part of the overall policy, in conjunction with the enterprise network, to identify suitable locations. The development of such a principle and theme could readily be applied in the way that you have described. I would certainly be more than content to take back what has been said about the need for considering office suitability and availability.

Everything does not happen overnight. Some members are critical of SNH office accommodation in Inverness. A lengthy period—some have suggested that it could go on and on—is involved in finding and making available office accommodation. In the context of such a time scale, I imagine that it would be possible to build in the type of approach that you describe.

**The Convener:** We should begin to draw the discussion to a close.

**Dr Murray:** I have a brief suggestion to make about criteria, which, to a certain extent, relates to what Des McNulty has just said. I do not know what parallel universe exists in Dumfries that is completely inaccessible and in which there is no unemployment, deprivation or poverty. That is certainly not the Dumfries that I drove to the Parliament from this morning.

I am sure that the minister is aware that the deprivation indices use postcodes and always militate against rural areas. Such areas will never do well in an analysis that reflects area deprivations though the use of postcodes. Would it not be better if the Executive undertook a robust analysis of criteria and drew up its own tables with ratings on each of the criteria? The Executive could then be sure that decisions were not being made as a result of the vagaries of some

consultant who is based elsewhere and who probably does not know the areas in question at all. Decisions could be based on nationally available data that the Executive could be sure give a real reflection of needs and opportunities throughout Scotland.

**Tavish Scott:** That is a fair point and is not dissimilar to the point that other committee members have made. I take Dr Murray's point about consistency of approach—if I may describe what she said in that way—and how criteria are used in business cases for organisations coming through the process. It strikes me that, on the surface, there should be such consistency and that consultants who are putting together a business case on behalf of an organisation should use the same basic information about deprivation indices and other socioeconomic factors. I hear what Dr Murray says loud and clear. As I said earlier, we will do work in that area.

**Mr Brocklebank:** I have a point to make that is similar to that which Des McNulty made. He spoke about learning from the Irish experience. We are indebted to Elaine Murray and Fergus Ewing. I think that Fergus Ewing in particular considered the Irish experience. I have learned that much of the relocation policy in Ireland is entirely voluntary. It might be impossible for us to go down that route, but it is obvious that there are merits to communities approaching the Government or the Executive and saying, "Look, here's what we have to offer. We would like to be part of things," and spelling out what they have to offer. If decisions are then made to relocate in areas, perhaps many relocation costs will be avoided. If there were more of a voluntary element to the policy, some of the problems that there have been over the policy's first years would be avoided.

**Tavish Scott:** I assure Mr Brocklebank that communities are not slow to approach ministers and the Parliament about their merits for relocations—Dumfries is a good example of that. However, I have a reservation about the approach that has been mentioned. I have read the report with interest and understand that the Irish approach is voluntary for staff, but the Taoiseach announced on 10 December, I think, that seven departments will move. He did not say that they may or could move or that there will be consultation. That is a pretty clear top-down policy on relocating government. We are talking about relocating central Government departments that deal with economic development and so on throughout the nation. On the back of that, I suppose that the minister who is left in charge of things must find a way of making the departments that are involved work in the context of the approach that Mr Brocklebank has just described—that is, having a voluntary approach for staff. The potential for difficulty as a result of

such an approach can be seen. We have discussed the matter this morning. If a department were relocated elsewhere because the Government said that it should go there, what would happen operationally if staff voluntarily said that they would not go? Staff who would move would then have to be found. That seems to be the premise on which the Irish policy is based. The Irish have a very different approach and I am not sure whether we can compare like with like.

**Mr Brocklebank:** I presume that the Irish have already encountered such difficulties. They have gone through the process and it might be valuable for Executive members to go to Ireland to have a look at their policy and find out how they cope with difficulties.

**Tavish Scott:** I am always happy to go to Ireland and look at what the Irish do, but there seem to be fundamental differences in how they drive their policy.

**The Convener:** I suspect that there is an army approach to volunteering.

**Dr Sylvia Jackson (Stirling) (Lab):** I want to follow up what the convener said about the trade union submission. I am sure that you are right and that, at the end of the day, ministers must make the decisions, but from what Unison has said, consultation in the process does not seem to have been very effective. It is all very well for you to say that you are going to make things much better. You say that you have considered how things might be improved in future. What time scales would you recommend?

Secondly, I am a little perplexed about the kind of incentives that you are thinking of giving to people in order to increase the transfers to Inverness. What sort of incentives are you talking about?

11:30

**Tavish Scott:** Incentives are a matter for SNH. They are being included in the plan for the move and are under active consideration. We can write to you with the details.

On union involvement, I am not sure whether you are describing a criticism by unions of the criteria or of the consultation process in relation to a particular body.

**Dr Jackson:** I am asking about time scales. The union said that it did not have time to report back effectively.

**Tavish Scott:** As I said, the Scottish Executive does not think that it would be appropriate for it to be involved in instructing an outside organisation to behave in a particular way. I take the points that the committee has made in relation to best

practice. Internally, we want to be open and transparent and ensure that the time scales are long enough to ensure that the feedback is allowed for. I would hope that time would be available because none of the business cases that are put together for any relocation is done overnight. They all take weeks, if not months. I would have thought that, within that process, it would always be possible for an organisation—whether external to or within the Executive—to build in the appropriate consultation, because that is fundamentally important to the process.

**Dr Jackson:** Do you think that the consultation process allowed Unison adequate time to respond?

**Tavish Scott:** Is your question about Scottish Natural Heritage?

**Dr Jackson:** Yes.

**The Convener:** Unison is not involved in the SNH case. It was involved in the Common Services Agency case.

**Dr Jackson:** I am sorry. Do you think that the union that was involved in the SNH case had adequate time to respond?

**Tavish Scott:** I do not think that I can give an absolutely straight answer to that. I will consider the issue and try to respond to you in writing. I do not think that we have received any letters as to the adequacy or otherwise of the consultation process, but I will check in the office to find out.

**Fergus Ewing:** I had the pleasure of meeting a senior civil servant from Ireland who explained the basis of his policy. We are indebted to the Irish Government for providing us with a lot more information.

It seems to me that the Irish policy is commendable for four reasons and I hope that the Executive will not dismiss it without detailed consideration, although that appears to be the case. The essence of the policy is that it relies on volunteers. The Irish identify a departmental function that can be relocated and, if there are 40 jobs involved in the move but only 25 volunteers, they advertise for 15 volunteers in the public sector in Dublin. Subsequently, they will seek to reallocate within the civil service the 15 who prefer to stay in Dublin. The beauty of that is that it relies on volunteers not conscripts. Secondly, it removes at a stroke the massive redundancy costs. The human resources costs of the SNH move are estimated to be £16 million, most of which is made up of redundancy payments.

Thirdly, as Mr Swinburne and the convener have said, the Irish started their national spatial review by identifying the areas that most need the investment. Fourthly, those areas tend to be those in which the cost of building new properties is a lot

less expensive. By definition, property is cheaper in areas such as Clydebank than it is in areas such as Inverness.

The policy has four advantages—it is a sort of four-leafed clover of a relocation policy. It seems to me that we are stuck with a relocation policy for which few of the members who have spoken today can find much to say.

**Tavish Scott:** Mr Ewing is entitled to his description of the Irish policy. However, I do not believe that that policy is without controversy in Ireland and Mr Ewing should not present it as being uncontroversial. I am sure that he appreciates that such matters are never simply black and white in any part of government anywhere in Europe. I was in Dublin at this time last year when the Taoiseach announced the national spatial review. Frankly, the Opposition's criticism was that the review seemed to be targeted closely on ministerial constituencies. I do not know whether that had any merit as an argument. However, as an Opposition politician, Mr Ewing might be quick to make such an accusation here, if the Executive were minded to follow that theme.

We are certainly prepared to look at the Irish policy, but we would prefer to know the Finance Committee's thoughts on the matter. However, I repeat that the Irish policy is top-down driven. Therefore, it is not like our relocation policy, which is triggered by an existing organisation or by the establishment of a new one. In that sense, the Irish approach is different. Further, I am sure that Mr Ewing would accept that there are obviously different circumstances in relation to the extent of government in Dublin compared with that in Edinburgh, which is a situation that he may wish to change. However, I believe that there are fundamental differences in Ireland that we need to bear in mind at least.

**The Convener:** We have probably exhausted questioning on the matter. It is worth pulling out a couple of issues from the discussion. First, members appreciate that relocation decisions are ultimately political ones, but what we want—which came out of the opening discussion—is transparency in the criteria for relocation decisions. Committee members believe that much needs to be done to achieve greater transparency.

The second issue has been raised previously, but it was raised latterly in the discussion on the Irish policy and is about having a better process by which different areas of Scotland can feel that they can gain from a relocation process. My perception is that committee members would enjoy a continuing dialogue with the minister and his officials about how we can have a better process. It is for the committee to decide how it wants to take that issue forward. We believe that there is

work to be done on those two issues. I encourage the minister to speak to his ministerial colleagues and to Scottish Enterprise about how the relocation policy can be better harmonised with other economic development policies throughout Scotland.

## Executive Payments to Business

11:38

**The Convener:** The second agenda item gives members an opportunity to put questions to the Deputy Minister for Finance and Public Services on the Executive's payment of invoices. I thank the minister for offering to take questions on the matter and I invite members to put their questions to him.

**Fergus Ewing:** I am grateful that, at my request, the matter is on the agenda. It relates to a press story that emerged during the recess following publication on the web of the document "Core Departments' Resource Accounts", paragraph 48 of which revealed that nearly one third of bills due were not paid on time by the Executive—that is, within 30 days—despite assurances from civil servants. According to an article in *The Herald* by Tom Gordon, civil servants assured MSPs 18 months ago that bills were being paid on time.

I understand that around four fifths of bills are now being paid on time, but that leaves a large number unpaid, which I am sure is unacceptable to the minister. Setting aside computer difficulties—I hope that the minister can confirm that those difficulties have been fully resolved—does he feel that the problem is ingrained? Does he also agree that the problem of late payment is endemic in a number of areas of the public sector?

I spoke to a gentleman yesterday who gave me a specific example of that and confirmed that I could mention his name. He is Mr Michael Dewar of Dewar Associates Ltd. He operates in Glasgow as a civil and structural engineer and has had business with housing associations. He asked me not to name the associations but told me that it is routine for them to take nine months to pay him. He has examples of a mass of bills that are outstanding over a long period.

Will the minister get a grip of the public sector and extinguish the desperate culture of late payment? I note that Nigel Griffiths, the Parliamentary Under-Secretary of State for Small Business and Enterprise at United Kingdom level, has condemned that culture as entirely unacceptable and yet, five years into devolution, it still exists under the Labour-Liberal Executive.

**Tavish Scott:** That was a bit of a political take on the issue. We are talking about a serious issue for small businesses and we need to deal with it properly. The Scottish Executive's accounts for 2002-03 show that only 68.5 per cent of payments were made within 30 days. As the committee knows, a target was set by the prompt payment guidelines, and the Executive's performance was not good enough—it was lower than we had

expected. Mr Ewing is quite right: apparently, I am told, the delays in payment were because of a computer. However, as I do not think that it cuts much ice with businessmen and women for computers to be blamed, I am not going to do that.

I am glad to say that this year's performance has improved steadily. From April to December, an average of 81 per cent of payments was made within 30 days. In December, the figure was more than 87 per cent. In the coming months, we hope to achieve in excess of 90 per cent, which, if I can put it this way, is the historical standard. We are never going to achieve the payment of all bills on time—I hope that Mr Ewing will accept that. As with any walk of life or any business environment, there will always be disputes. To use a phrase such as "all bills paid on time" is not to be in the real world.

Ministers are very focused on ensuring that the prompt payment guidelines are met. We expect and insist on a steady improvement in performance towards a level with which I hope the committee will feel comfortable. Indeed, Mr Kerr, has written today to business organisations across Scotland about the figures in order to ensure that all of them are aware of the work that is going on to achieve the target and the level of performance that all of us expect.

**Fergus Ewing:** I will pursue the housing association issue. I am slightly ahead of Mr Kerr. I have written to a number of business organisations, some of whom have given me many other examples. There are various techniques for non-payment. For example, one housing association told Mr Dewar that he could not get paid until the next financial year because there was no money in the kitty. Another client—a translator—was asked after 30 days for bank details, which meant that payment was not made for another 30 days. Why were bank details not requested at the outset?

I mention those two examples because they illustrate the sort of techniques that should have been stamped out. A concerted attempt needs to be made to tell every single public sector body that deals with business to get its house in order and to stop using those cheap techniques. If that does not happen, we will find ourselves having a similar discussion on the issue next year.

**The Convener:** The narrow issue of housing associations is not one for the minister.

**Tavish Scott:** If Mr Ewing has specific evidence, he should bring it to me or to the department. We would be happy to look at the evidence and take up the points that he has made. He should not generalise on the basis of two telephone calls. Mr Ewing is shaking his head—

**Fergus Ewing:** It is more than two.

**Tavish Scott:** If it is more than two, let us have the evidence. Mr Ewing has not presented evidence on the subject to Mr Kerr or me. If he does, we will look at it actively. I am not going to start to generalise off the top of my head on the basis of the two telephone calls that he described today.

**Jeremy Purvis:** The same report highlights on page 25 that there was "slippage" in the e-procurement project and in the invest to modernise project, which is now on-stream. I had a quick look at the e-procurement Scotland website this morning before I came to the meeting. I note that £65 million of Executive expenditure could go through the e-procurement model. What efficiencies do you anticipate will result from the website in relation to the ease of relationship between the Executive and some of its suppliers and the efficiency of billings? Will you be in a position to return to the committee with the efficiencies that have been made through the ease of using the website?

11:45

**Tavish Scott:** Mr Purvis is better informed than I am. I have not looked at that website this morning, for which members will have to forgive me. We shall certainly write to the committee about that.

My understanding of the e-procurement system is that it allows for much faster payment, within three or four days, which I hope is at the level that the committee would expect. The system ensures that suppliers receive early payment; the Executive then receives a discount because of that early payment, so there is obvious merit in the system. However, we will be happy to write to Mr Purvis about efficiencies.

**John Swinburne:** I am rather disturbed that we could ever reach the situation in which, despite its being a role model for the whole community, the Executive does not pay its accounts within 30 days. I appreciate that some invoices that are presented will have to be queried, but all the rest should be paid within a 30-day period. The damage that the Executive is doing to many small businesses is unforgivable. In fact, I suggest that Mr Scott's department should submit to the Finance Committee a monthly report on the progress that it is making in bringing down the number of unpaid invoices.

**Tavish Scott:** We would be happy to give regular reports. I will not commit myself to a monthly one, because I do not know the work that would be entailed, and I hope that Mr Swinburne accepts that.

**John Swinburne:** A percentage would do.

**Tavish Scott:** I would be happy to submit regular reports or to write regularly to the

committee on the matter. There are also, dare I say it, many other parliamentary mechanisms for keeping an eye on the Executive on this issue, as with every other issue.

I hope that Mr Swinburne will substantiate what he has said about small businesses. Apart from the general principle of driving forward hard on prompt payment, we are always prepared to consider any practical examples and specific representations, and we will do that if Mr Swinburne would care to bring them to our attention.

**The Convener:** I am not sure that I would particularly welcome regular letters, but a mechanism by which we could identify progress would be helpful.

**Dr Murray:** I know that the minister was anxious not to blame the computer, although John Elvidge did so in his response of 2 January.

**Tavish Scott:** Did he?

**Dr Murray:** There is an issue to do with high-tech systems. Can you tell us how long that computer system has been in place? The current problems come on the back of the problems with the Scottish Qualifications Authority three years ago and the problems with the United Kingdom Passport Service—I distinctly recall getting my passport just two days before going on holiday. There have also been computer problems at the Inland Revenue. Why is it that the public sector has so many problems with new technology? You say that you are hoping to get the proportion of payments made on time up to 91 per cent, but before you got the new computer, the figure was 98 per cent. I have major concerns about the way in which new technology is introduced in the public sector. Do we have the expertise to advise us properly on what we should be purchasing? Is Government, in Scotland or in the UK, examining the problem?

**Tavish Scott:** Given that Dr Murray has already used Mr Elvidge's name, I am happy to criticise the computer fully and with free abandon. I take her point about the public sector and computers. I remember how, as a councillor in a local authority, I would rip my hair out in despair as we spent ever more tens of millions of pounds on systems that did not appear to deliver what we needed.

My understanding of SEAS—the Scottish Executive accounting system—is that it came into operation from new year 2002, and I am told that there were some teething problems with it. That was demonstrably the case, but those problems have been ironed out and that is why performance is rapidly improving. As a general point, we hope that we can do better.

**The Convener:** I am probably the only person present who was a member of the previous Finance Committee. I distinctly remember one of the sessions that we had in 2002, when we were offered various assurances by officers about how the new system would be effectively managed and implemented. It might be useful to go back to what was said at that time and to review what has happened. I would certainly be happy to receive a letter from you on that subject, Mr Scott.

**Tavish Scott:** Indeed.

**The Convener:** As there are no further questions, I thank the minister for attending today's meeting. It has been a rigorous but, I hope, fruitful session. I hope that we shall have a continuing dialogue on relocations.

## Petition

### Scottish Water (Business Charges) (PE686)

11:50

**The Convener:** The third item on the agenda is consideration of PE 686 from Rob Willox, on behalf of Bo'ness means Business. The petition calls on the Scottish Parliament to review urgently the charges levied by Scottish Water on Scottish businesses. Members have a paper from the clerk and a copy of the petition. As members can see from the paper, we need to decide whether to accept the referral of the petition from the Public Petitions Committee. The suggestion is that, as we are currently investigating Scottish Water, we subsume the petition into our investigation. That seems to be a sensible approach. We should, however, make it clear to the petitioner that we will not necessarily look at all the matters that he raises in his petition, some of which are specific and geographic. If we subsume consideration of the petition into our general review, we will deal with matters that come under that heading. Is that agreed?

**Members** *indicated agreement.*

**John Swinburne:** I add that, given some of the figures in the petition, we must note that people of my generation also suffer from those tremendous leaps in charges. As that is part of our remit, we could look into that side of things as well.

**The Convener:** We will refer the petition to the reporters and they will incorporate as many elements of it as they can. However, that must not take away from the coherence of what the reporters are trying to do. We will hear from them next week.

## Budget (Scotland) Bill

11:52

**The Convener:** The fourth item on the agenda is consideration of a paper by the clerk on the procedure for handling stage 2 of the Budget (Scotland) Bill, which will be introduced by 20 January. As members will note from the paper, the procedure for dealing with the bill is different in many respects from the procedure for dealing with other legislation. Members will note that the paper suggests that we take stage 2 of the bill on 10 February. We should be aware that it appears likely that stage 3 will be considered on either 11 or 12 February, which is soon after stage 2. However, it is also likely that stage 1 will be taken on 29 January. If we were to take stage 2 on 3 February rather than on 10 February, there would not be much time between stages 1 and 2. The issue is when the best time is for us to consider stage 2. It is recommended that we have time between stages 1 and 2 since stage 3 is a more formal element. If there are no objections, I propose that we take stage 2 on 10 February. Do members agree?

**Members indicated agreement.**

**The Convener:** Does Susan Duffy want to make any other points?

**Susan Duffy (Clerk):** We wanted a decision on when to take stage 2 so we will factor that in and invite the minister to the committee.

**The Convener:** I highlight for members that, under standing orders, only the Executive can lodge amendments to a Budget Bill.

## Item in Private

11:53

**The Convener:** The final item on the agenda is to consider whether to take the reporters' draft report of the committee's investigation into Scottish Water in private at our next meeting.

**Jeremy Purvis:** I have no objections to the committee discussing the matter in public, although I have one caveat. The reporters were keen that any technical information should be sent to a small number of respondents to check for factual errors. My only concern is that, if we were to introduce a public paper that contains factual errors, we would defeat the purpose of checking for those errors.

**The Convener:** My understanding of the position from what I have seen so far—I have not yet seen the full text of the report because we are still waiting for a major contribution to it—is that we will get some interim findings from the reporters. It might be that the committee will wish to thrash out those interim issues at this stage. We will not be at the stage of producing a finalised report from what arises at our next meeting.

**Fergus Ewing:** I would certainly like to discuss the subject in public, not least because of the huge public interest in and concern about water charges for domestic and business water rate payers. It would be absurd to have a private discussion.

As a compromise pro tem, could the decision on whether the final discussion of the final report is held in public or private be postponed? Could we have a public discussion of the interim recommendations? That would allow us to have a first kick at some of the serious issues that have arisen. The public expect us to have an open discussion and a robust exchange of views—that sometimes happens in the committee—in public rather than in private.

**Ms Alexander:** If we are to discuss the interim recommendations, it might help if the clerks double-checked the *Official Report* of the evidence that we took from the water industry commissioner for Scotland and Scottish Water representatives, because the committee wanted clarification of a few facts. Chasing all the requisite bodies before our discussion would help, because even if we received responses only on the day, they would inform the interim conclusions. I am thinking of the technical inaccuracies or otherwise in the estimates from the Executive and the commissioner. Chasing that information before the interim discussion would make for a more productive discussion.

**Jeremy Purvis:** We may well be getting a wee bit ahead of ourselves. The report certainly awaits some contributions from Jim Mather. We are keen to invite the minister to the committee, and debating our conclusions before then might be precipitate. We want our work to inform the committee's questioning of the minister. After that, we would be in a position to reconsider the level of public discussion.

**The Convener:** On that basis, we are looking for an interim discussion in private, so that we can invite the minister to give evidence. Do we agree that the discussion next week will take place in private?

**Fergus Ewing:** I thought that we were moving towards a new consensus for a public discussion and that Mr Purvis said that we would revisit the issue after hearing from the minister. For the reasons that Wendy Alexander gave, would that not be better than having a private discussion beforehand? How can we have a private interim discussion next week when we do not have the information that Wendy Alexander was right to say that we sought from the first series of witnesses? We have not heard from the minister, so I would not be happy with an interim private discussion next week.

**Jeremy Purvis:** I hope that the report that the committee receives from the reporters will include all the information that Wendy Alexander described. It will also run through our initial considerations. The committee's initial discussion should be on whether the reporters are going in the right direction, which will improve our questions to the minister. That is probably best discussed outside a public session of the committee. However, the discussion of our ultimate conclusions about Scottish Water will of course take place in public.

**The Convener:** Do members have any further thoughts on how best to handle the issue?

**John Swinburne:** I disagree with private discussions. Everything that is said in Parliament should be open to everyone. We have nothing to hide.

**Jeremy Purvis:** The reporters were keen for other committee members to see the work that we have undertaken in the interim, so that they did not feel excluded until the end of the process. The complication is that there will be issues in our report on which we wish to seek factual clarification. That is why I think it would be unfair on the witnesses who have given evidence if we were to publish an interim report.

**Mr Brocklebank:** In principle, I would always wish the committee's ultimate discussions to be in public. That is vital. That said, surely we must pay some attention to what the reporters are saying:

that, at this stage, they are perhaps not totally confident about the direction in which they are going. We should be in a position to help and guide them and to take into account what they have done so far without that being in the public arena. I think that there is merit in that approach.

**The Convener:** It is important that we get this right. Members who have not had the opportunity to see what the reporters have said should have the chance to see the interim conclusions that they have arrived at, before that becomes a committee paper and before we have properly signed up to it. There might be some issues that the reporters have either ignored or got wrong, from other members' points of view.

**Fergus Ewing:** I am happy to agree to that approach, provided we also agree that our final discussion on the matter will be in public, as Mr Brocklebank, Mr Purvis, Mr Swinburne and I—and, I imagine, Mr Mather—agree should be the case. Can we agree that at this meeting?

**The Convener:** I do not think that we can do that. What we agree now concerns next week. Once we have heard evidence from the minister—we also need to decide today whether we wish to seek evidence from the minister—we will need to decide how to take things forward from there.

**Fergus Ewing:** I thought that we had agreed to take evidence from the minister.

**The Convener:** I just want to get the committee to agree that formally now. Does the committee agree to request oral evidence from the minister?

*Members indicated agreement.*

**The Convener:** Can we also agree to deal with the interim report in a private discussion next week?

*Members indicated agreement.*

**The Convener:** I thank members for their attendance.

*Meeting closed at 12:01.*



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