

FINANCE COMMITTEE

Tuesday 20 April 2004
(*Morning*)

Session 2

£5.00

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FINANCE COMMITTEE 12th 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:

Professor Arthur Midwinter (Adviser)

THE FOLLOWING GAVE EVIDENCE:

Robert Brown MSP (Scottish Parliamentary Corporate Body)
Graham Donaldson (Her Majesty's Inspectorate of Education)
Sarah Davidson (Holyrood Project Team)
Paul Grice (Scottish Parliament Clerk and Chief Executive)
John Home Robertson MSP (Holyrood Progress Group)

CLERK TO THE COMMITTEE

Susan Duffy

SENIOR ASSISTANT CLERK

Terry Shevlin

ASSISTANT CLERK

Emma Berry

LOCATION

Committee Room 2

Scottish Parliament

Finance Committee

Tuesday 20 April 2004

(Morning)

[THE CONVENER *opened the meeting at 10:03*]

Scottish Parliament Building Project

The Convener (Des McNulty): I welcome members of the press and public to the 12th meeting of the Finance Committee in session 2. I remind members and everyone else that pagers and mobile phones should be switched off. All committee members are present this morning.

The first item on our agenda is the committee's on-going scrutiny of the Holyrood building project and consideration of the latest monthly report. We have before us witnesses from the Scottish Parliamentary Corporate Body and the Holyrood progress group. They are Paul Grice, the clerk and chief executive of the Scottish Parliament; Robert Brown MSP, who is a member of the SPCB; John Home Robertson MSP, who is convener of the Holyrood progress group; and Sarah Davidson, who is project director of the Holyrood project. Members will have received the latest monthly report, which was issued yesterday. As usual, I invite the witnesses to make an opening statement, if they wish to do so, after which we will proceed to questioning.

Robert Brown MSP (Scottish Parliamentary Corporate Body): On this occasion, I will say very little. The itemisation of progress in the Presiding Officer's letter speaks for itself and the programme and the likely cost projections remain pretty much as they were. There is some scope for manoeuvre on the programme; acceleration works are possible if they are required in crucial areas, although, as the Presiding Officer's letter indicates, pressure is being maintained on everyone to remain focused on achieving completion on schedule. I do not think that I need to stress to the committee the importance—because of the various time slots—of meeting the summer date.

It is fair to say, and the project team tell me, that all the package contractors are working hard to complete. It is in everyone's interest for the project to complete on the schedule that we have. The Presiding Officer will make an announcement to the Parliament shortly about the opening date and arrangements, once they have been agreed by the

SPCB. Work is up to speed on migration arrangements, to which the focus is shifting to some extent, to ensure a smooth transition to the new building so that it can be operative from the beginning of the autumn term. That is all that I want to say by way of introduction.

Dr Elaine Murray (Dumfries) (Lab): You will recall that, in our most recent discussion, there was still uncertainty about a number of contracts that you advised us would need to be let by March or April to be able to achieve completion.

Robert Brown: Do you mean on migration?

Dr Murray: Not particularly on migration, but generally. At the most recent Finance Committee meeting at which the matter was discussed, it was difficult to say that the contracts would definitely be commenced in time to ensure that migration was possible in the summer. Given that it looks as though there is no change in overall cost and that we are on course for migration in the summer, I presume that the contracts that were not signed at that point are now under way. Can you confirm that?

Paul Grice (Scottish Parliament Clerk and Chief Executive): Yes. I can say specifically that two contracts have been mobilised: the mechanical and electrical maintenance contract and the catering contract. The corporate body has agreed a strategy whereby we have a set of mobilisation dates and those two contracts are the ones with the longest lead times. They were mobilised on schedule about two weeks ago.

The Convener: Point 3 in the report states:

"There is no change in the overall programme which continues to target occupation of the building this summer."

We repeatedly see press stories that imply that it is difficult to envisage that being achieved. Since the previous meeting, there will have been an increased materialisation of risk. Can you give us any further information, in addition to the bald statement that I quoted, about the progress that is being made towards realising the objective of getting into the building? Can you quantify the acceleration that is referred to in relation to that? Finally, will you let us know whether you have any further information on the cost consequences of not meeting the target? That information would be useful to us.

Robert Brown: To deal with the final point first, it has always been the case, as has been stated in our recent reports to you, that any delay in completing on target will have prolongation cost implications—obviously, those depend on the length of the delay. We are very hopeful that that difficulty can be avoided.

Acceleration is an option that is available to us if it is necessary. The project team is keeping a

close eye on how things are going forward in the various areas and there is an element of scope for manoeuvre on them all. The light well caused us a lot of worry at one stage, but the crash deck is due to come down this week and that work is pretty much on schedule—that is the achievement of another key milestone.

Obviously, we are six weeks further on from our previous appearance at the committee so, as has been stated in recent reports, we are that much nearer to the endgame. Elements of uncertainty will remain until the last item has been dealt with, but things become more comfortable and easy to deal with the closer we get to the end, although they remain tight.

John Home Robertson MSP (Holyrood Progress Group): On the point about acceleration, the straight answer is that we want to do as little acceleration as possible because it costs money. If it is necessary to accelerate at any particular point to fit in with the requirements for migration and flitting, that will be done, but we do not want to do so just for the hell of it.

The Convener: I understand the reticence to put precise figures on any matter if that could lead to an increase in costs, but some of the answers that you have given are rather general. Given that we have moved from February to April, I would have hoped to have quite strong quantification of the extent to which the risks that existed at an earlier stage have been dealt with and can be assessed properly, as well as an assessment of the remaining risks, on the assumption that the project will be moved through to completion. You ought to be able to give us harder information than Robert Brown's statement that you are very hopeful that the project will be completed on schedule.

Robert Brown: That is a little unfair—my statement was stronger than that. I ask Sarah Davidson to provide the committee with details.

Sarah Davidson (Holyrood Project Team): You are right to recognise that the report that we made in February was based on the cost consultants' then assessment and quantification of the risks associated with the programme to completion. We are still working with that programme, although—as the committee knows—adjustments are made to it pretty much on an hourly basis. The bottom line in the annex to the cost report identifies between £6.8 million and £9.1 million of what is called programme contingency. Any money that is required for acceleration will be drawn from that sum.

It is worth stressing that at the moment the site is not working 24 hours a day, seven days a week. That is not an indication of the fact that everyone is not at full stretch. Rather, it is a good position in

which to be at this point, because it provides the flexibility for us to ramp up in certain areas, if necessary. To date, Bovis Lend Lease has targeted light fitting for acceleration during night-time hours, because that gets in the way of other activities that happen during daylight hours. In close discussion with us, so that it understands our migration strategy, Bovis is identifying the areas to which we want to have access early, so that it can advance work in those areas. If acceleration is required there, we will take it. Although Bovis and Davis Langdon & Everest have a good idea of what it would cost us to accelerate work, if necessary, we have no firm proposals on the table. At this point, we would not expect to have such proposals.

The Convener: In November and February, we were told that the real blockage to completion was the famous light well. Has the blockage associated with that now been dealt with? Have future contingencies that might arise and that could cause problems been identified? Previously unidentified issues, such as blast proofing and the light well, have caused difficulties.

Sarah Davidson: We are past the point of having to deal with major construction issues. In recent months, we have managed the problem of the light well with considerable input from the highest levels of the contractor in question and it is no longer what one might call a show stopper. It has been and will continue to be difficult, but it is now difficult in a manageable way.

The challenge for everyone working on the project from now until completion will be to get through the quantity of work that is to be done and to manage the sequence of working, as people work in different areas at the same time. There is nothing new about that—because the site has become increasingly congested, sequencing has always been a difficulty. It is Bovis's job to manage the problem to the best of its ability, in a way that minimises the cost to the client and that facilitates completion.

I am reassured by project management that we are beyond the stage of having to deal with something horrific coming out of the woodwork. Inevitably, there are risks associated with testing systems during migration in August, but a great deal of planning is going into migration to minimise those risks as much as possible. I am referring to operational risks, rather than completion risks. In this project, we have all learned never to say never, but we have a much greater degree of comfort than ever before about major construction issues.

The Convener: You are saying that Bovis's construction management role is moving towards the final phase of implementation and that the Parliament's management of operational

processes will come on stream. There is a risk associated with that, as over the next five or six months two systems of project management will be in place at the same time. Have you made sufficient provision and planning arrangements to ensure that the dual operation will be managed successfully? In the next progress report, can you give us information on the management regime that will operate to ensure that everything goes smoothly?

10:15

Paul Grice: I am happy to consider what we can provide in the next report, but I reassure the committee that we have put a great deal of thought into the matter over a long period—we have an implementation unit whose sole job is to pull together the issues that you mention. Indeed, we recognised some time ago the point that you raise. Finishing the building is just the end of the beginning—we need to consider how we move forward operationally. Last week, the implementation unit sat down with the project team and Bovis to consider in very great detail the integration of the completion of the building with migration—the moving in of furniture, the installation of equipment and the commissioning and testing of systems. We have a very detailed migration plan, in which migration of all the main services is set against the construction programme. The plan will be kept under constant review from now until the end of the project and we have put considerable effort into it.

I reassure the committee concerning FM, which will be an absolutely critical service down the road. About a year ago, I began thinking about that issue with the corporate body and planning for migration. We have increased the capacity of our FM office and have restructured the organisation to produce a directorate that is focused on implementation, information technology and FM, because we recognise that that will be a major challenge in the building.

The Convener: I point out that, here, “FM” means facilities management.

Mr Ted Brocklebank (Mid Scotland and Fife) (Con): Or floor manager.

Paul Grice: Migration is a big issue for us, but there has been careful planning and teams are in place and working together. The key is to co-ordinate Bovis’s effort to finish the building and the effort of the implementation unit and FM to use the building. There is a risk associated with that, but we are managing it as proactively as we can.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): Can you confirm that the costs that have been provided to us today have been agreed and approved by both the construction managers and cost consultants?

Sarah Davidson: The costs that are reported to the committee come from the cost consultants—they are not our figures, but the cost consultants’ figures.

Fergus Ewing: Sarah Davidson mentioned that major construction problems are in the past. I take it that that applies to all the works packages.

Sarah Davidson: That is certainly our hope and expectation.

Fergus Ewing: We all hope that migration can be completed in accordance with the timetable, because any delay would lead to further expense. However, some of the works packages are far from complete. How many packages are incomplete? Which packages, if any, still give cause for concern?

Sarah Davidson: Part of the difficulty in answering that lies in the definition of the term “completion”. Strictly speaking, a package is not complete until the final account has been presented and signed off. The vast majority of our packages are still in a pre-finished state.

Off the top of my head, I cannot say exactly how many packages are active on site, but I guess that the figure is probably in the high 30s. Because we care about finishing the project, we are concerned about all of them—they all matter and they are all being managed by Bovis and our project managers to ensure that they deliver what is required of them. For several packages, things will be hard until the end, because huge pressure is being put on them. Varying degrees of management pressure are being applied, depending on the critical importance of the package to completion. I would not say that any package is giving greater cause for concern than that.

Fergus Ewing: The point that I am trying to get at is this. It is good news that major construction problems are in the past. However, in his evidence to the Fraser inquiry, Mr Grice referred to the new Museum of Scotland contract. He alluded to the fact that, as we all know, problems can arise that may not be of major importance but that can cause delays, because they make it impossible for work to be done in the complicated sequence that we have heard about. I hear that 30 packages or more are incomplete, which seems an extraordinarily high figure at this stage of the contract, as Hugh Fisher said in his evidence to the Fraser inquiry not so long ago. What worries me is that small problems may arise—as they have in the past—and lead to delay, which will mean that there is a failure to achieve the migration timetable.

Sarah Davidson: That is absolutely possible in the sense that such risks are being managed all the time. It has always been the case that those

kinds of problems might arise. One of the things that we buy from Bovis is expertise in managing risks and minimising them as far as possible. I am not aware of anything that could be the kind of risk that you are talking about, but such a risk could, of course, always arise.

Mr Home Robertson: The convener referred to the light well as a problem area; it has been worked through and given a lot of attention. Another contract that has given rise to difficulties over a period of months is the Drawn Metal Ltd contract for fitting windows. That has been associated with blast problems, which date back a long time. Happily, I understand that the last of the windows have now been fitted. That is a major step that has now been passed. The problem had been on-going but it is one example of a big issue that is now complete.

Fergus Ewing: I am pleased about that. We are all going in the same direction.

Mr Grice used the new Museum of Scotland contract as a comparison. What happened there—Mr Grice will correct me if I have got this wrong—is that work was rushed at the end in order to secure completion of the project so that the Queen could open the building on, in that case, St Andrew's day 1998, which she duly did. However, that was at the cost that work subsequently had to be redone because it was not up to scratch. We all want to be in by September, but is there a possibility that history could repeat itself with work having to be redone because of the rush to September?

Robert Brown: Sarah Davidson has made the point that we are not currently working round the clock. Difficulties can arise in these situations. There is certainly pressure to finish—there are no two ways about that. It is in everybody's interest that that should be the case, but it is not at the expense—as I understand the reports that we have been getting—of the quality of the finish. We do not anticipate any significant issues in that respect, but that is not to say that issues cannot arise. Until the work is all finished and done, the project remains uncompleted and we cannot give the committee a total guarantee. However, all the evidence that we are giving the committee today is along the lines that we do not anticipate significant problems of that kind in finishing. I hope that that remains the position to the end. I do not know whether Sarah Davidson wants to add anything.

Sarah Davidson: The reason why acceleration is not currently happening around the clock is that Bovis advises us that it would be difficult to do that at this stage and to maintain quality when many people are working in different areas. Our construction manager was also the construction manager at the Museum of Scotland and he tells us that we are in a much better position than he

was at the museum this number of months out. If members can take some comfort from that, that is something.

Fergus Ewing: I take much comfort from that, given what I know about what happened at the new Museum of Scotland, but that is a matter for another day.

Are you all satisfied that the health and safety rules pertaining to working conditions for staff will be adhered to before staff take up occupancy? Obviously, there are clear rules regarding the workplace. I have heard it said that the landscaping may not be completed until after we have moved in—that has been reported and you can tell us whether it is true. Are you all satisfied that we can move in in September and that the staff and people who visit the Parliament will be protected by a proper health and safety regime that is in full compliance with the law?

Paul Grice: As you rightly say, that is an issue of paramount importance. The key point is that we need an occupation certificate to move in. We will not get an occupation certificate if the building is not safe and we will not move in if we do not get an occupation certificate. There is a control. Part of the facilities management effort that is being put in is consideration of the health and safety regime at Holyrood. I give you the assurance that we will not move in without an occupation certificate; to get such a certificate, we have to satisfy fire safety standards and all the other important health and safety issues.

Fergus Ewing: Are you satisfied that such a certificate will be forthcoming?

Paul Grice: It is on the critical path. We will not move in without the certificate. As you say, we have to achieve that; there is no question of moving in without an occupation certificate.

Fergus Ewing: Have you met officials regarding health and safety?

Paul Grice: As you probably know, in this case the issue is not handled by the local authority, because of the position of the Crown; it will be handled by Cairns, which acts on behalf of the local authority. There have already been discussions with Cairns and with fire people, because safety is one of the key concerns. We are trying to anticipate the issues so that we can address them. I reiterate that the occupation certificate will give me—as the accountable officer—satisfactory evidence on health and safety. Without that certificate, we will not move in, so we must achieve that—it is absolutely at the centre of the critical path. I hope that that is enough of an assurance for you.

Fergus Ewing: I am grateful for that assurance. It is no less than what I expected to receive, but I

wanted to flag up the matter at this point in case, for example, it emerges next month that concerns are arising from your on-going discussions with the officials that you mentioned.

Sarah Davidson: The progress group is receiving a report tomorrow from the architects, whose responsibility it is to present all the building, area by area, to Cairns to sign off. By this time next month, we should be in the position to be much more satisfied that that is being taken care of.

Mr Brocklebank: Like other members, I am encouraged by what I have heard so far, but I am still somewhat concerned. In the Deputy Presiding Officer's recent meeting with our parliamentary group—I am sure that she has met all the other political groups, too—she said that we were on target to go into the new building in September. She was talking about the arrangements that have to be made over the summer so that we and our staff are all ready to move in in September. At the meeting, I said to her that we all hope that that will happen, but asked about the alternative if it does not. I think that I am right in quoting her as saying, "There is no plan B—we will move in in September." My concern is that that is slightly at variance with what Mr Grice is saying to us now. He is saying that, if we do not get the certificate, we will not move in in September. Is there a plan B?

Paul Grice: At this point in time, when a plan B does not appear to be necessary, we are not producing a plan B. As both Sarah Davidson and Robert Brown have made clear, we are managing the issue proactively. We have undertaken risk reviews and we will continue to look at the matter on that basis. If we ever reach the point where we feel that things cannot be done, of course we will produce a plan B.

It is extremely important—the Presiding Officer has set the lead—that we target the summer. It is no good having two targets. We have succeeded in creating a culture and a momentum towards completion and we are determined to stick to that. However, it would of course be our responsibility as managers of the project if, despite all our best efforts, the plan were not to prove possible.

Ted Brocklebank is right to take some reassurance from what we are saying today. I assure the committee that, if necessary, we will produce a plan B. However, the Deputy Presiding Officer was right in what she said: we are focusing entirely on achieving the summer target. Only if that target were to prove impossible would we produce an alternative. I strongly believe that the Presiding Officer is right to set that tone, because that gives us the maximum chance of achieving the target.

Mr Brocklebank: We all hope that we are working towards that target. However, if for any of the reasons that have been outlined this morning the target is not met, I presume that the next opportunity to move would not be until next year, because there is no other recess of a reasonable length during which the problems could be resolved, if such problems arise. I do not want you to spell this out in detail and I do not want to undermine the plan to move in in September but, realistically, I believe that, if we do not make September, it will be January next year.

Paul Grice: No. That is entirely speculative. To be honest, there are too many variables. As I have said, there is no plan B. We are focusing on the summer. If that proves impossible, we would look at the situation. I would not, in those unlikely circumstances, immediately concede a date as far away as January. We would need to look carefully at the whole issue.

I understand why you are asking the question—it is a perfectly reasonable one—but I hope that you will understand that we are absolutely focused on the summer. If we needed to produce an alternative, we would do so. We would not leap ahead to another date; we would look incrementally at what was needed and what the problem was. I would not take a leap from September to January in those circumstances.

10:30

Mr Brocklebank: My final question relates to something that was said at our previous meeting, at which I raised the vexed question of the cost of the toilets and the fact that a Scottish contractor had not been given the chance to tender for that contract, which has turned out to be extremely expensive. At the meeting—which was on 26 February—you said that you would get back to the committee with a written response on the issue, but I have not yet seen such a response.

Sarah Davidson: I am aware of that issue. We owe you that response and you will receive it shortly.

The Convener: The opening ceremony is referred to at the end of the Presiding Officer's letter. I have two concerns about the ceremony. One is the point that Fergus Ewing raised in the context of the Museum of Scotland. That is not the only case in which the date set for an opening ceremony has had consequences for the completion of a building. The overriding consideration can become meeting the opening ceremony date. The second concern is the character of the opening ceremony. In a previous meeting, the Finance Committee expressed the view that we do not want an extravagant opening ceremony. It might be better to have a ceremony that reflects all the circumstances of the

construction of the Parliament building and that does not involve further substantial expenditure.

The Presiding Officer's letter refers to

"an announcement to Parliament of formal opening arrangements".

The Finance Committee wants to be assured that due consideration will be given to the points that I have made. The opening ceremony should not be extravagant and unduly costly—we deserve an estimate of the cost. I want an absolute assurance that the date for the opening ceremony will not drive up costs. I suspect that my colleagues also seek such an assurance.

Robert Brown: Within the SPCB's budget, financial provision for the opening ceremony has existed for a while. However, the corporate body has not yet received a report on the matter and has therefore not made decisions on it, although the points that you make are very much in our minds. It is clear that the opening ceremony will be modest but appropriate. I cannot say much beyond that because we await the Presiding Officer's announcement on the matter. After that, we will be able to consider the issue in more detail. The corporate body will advise the Finance Committee of the details of the proposals as soon as they are available and of decisions that have been made.

The Convener: I understand what you are saying, but a difficult situation would arise if the announcement is of a more expensive opening ceremony than was allowed for in the amount that the corporate body laid aside. We should ensure that the amount that will be spent is in line with the amount that was laid aside and that it does not exceed it.

Robert Brown: Nothing in what I said suggested that anything different from that will happen. The corporate body has laid aside money in its budget for the ceremony and other matters and the intention is to fit within those figures. Nevertheless, we must discuss the proposals from our officials, provide our input, make decisions and allow the Presiding Officer to report thereafter. That is the way in which to tackle the issue. I am giving reasonably firm assurances that the ceremony will not be an extravagant event: I repeat that it will be modest but appropriate. I think that the Finance Committee will be satisfied on the points that it has made previously, of which we are conscious.

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): Members of the committee will recall that, about 18 months or two years ago, a tender was issued for the aborted opening ceremony. Will a similar tender be issued for an event organiser to provide advice for the ceremony? Robert Brown said that officials will

make proposals. Will a tender be issued for an outside consultancy and, if so, what will the budget be?

Paul Grice: We are taking a slightly different tack this time. For the reasons that Robert Brown gave, I would prefer not to say much more. As the Presiding Officer intends to make an announcement on the issue, I do not wish to speculate ahead of it, not least because he has not yet discussed the matter with the corporate body. We took stock after the last time and we are taking a slightly different approach. Obviously, we will bring in expertise as we need it, but the lead will be taken by an official in my team, who has been working hard and has been in discussions with various parties. When the Presiding Officer has made his announcement, it will be easier to discuss in detail the ceremony and how the budget will break down and I will be more than happy to do so.

Jeremy Purvis: So there is no budget for outsourcing the management of the process to event managers—the budget is simply for the preparation of the opening ceremony.

Paul Grice: I am in a difficult position because we have not yet discussed the matter with the corporate body. We must get a view from the corporate body because, ultimately, it makes the call on anything to do with expenditure. We will go to the corporate body shortly, after which I will be able to say more. However, I can reassure you that, after the last one, we took stock. We will bring in expertise when we need it, but we will look to do so as economically as possible and, as Robert Brown said, to produce the most appropriate ceremony. The Presiding Officer has taken views on the issue and he will make proposals to the corporate body. He hopes to make an announcement shortly, once he has discussed the matter with the corporate body.

Jeremy Purvis: For clarification, by "the last one", you mean not the opening ceremony in 1999, but the issuing of the tender for the opening of the Holyrood building.

Paul Grice: Yes. As you say, we made a start and had to shelve the plans when the programme overran. However, we have also tried to learn lessons from the ceremony in 1999, which was extremely successful. We have revisited that to consider what went well and what might have been improved. Although the events are different, there has been an opportunity to learn from the experience in 1999.

The Convener: Concorde will not be available on this occasion.

Ms Wendy Alexander (Paisley North) (Lab): I will change the topic from the sublime to the ridiculous. The matter that I want to raise is minor

but has had a fairly high profile in the media since last we met; it is the question of the fridges in the MSP offices and the associated procurement process. I ask the elected members of the progress group whether they were aware of the plan to have a fridge in each office. Did the progress group discuss whether that was an appropriate requirement? Why were members not given a choice about whether a fridge was an appropriate fixture, as we had in respect of desks, tables and whiteboards, which were discretionary matters?

Mr Home Robertson: The straight answer to that question is that we have not discussed the issue in my time. I cannot remember any discussion about the provision of fridges. The fit-out for the MSP offices was agreed early in the process. It included the obvious furniture—such as storage units, desks and chairs—as well as fridges. The issue has never been on the agenda since I took over as chairman of the progress group.

Robert Brown: In the early days of the Scottish Parliamentary Corporate Body—which goes back four or five years, so you will forgive me if I am a little vague about the details—we made significant reductions in the specification for the MSP rooms. If I recall the matter correctly, when we inherited the project from the Scottish Office, the offices were to have sinks and various other arrangements. Considerable savings were made in the specification. I recall that, at that time, we also cut the number of car-parking spaces—the corporate body in those early days thought that the number was excessive. Those were among a number of cuts and reductions in the specification that were made at that time.

To be frank, I cannot recall the detailed discussions about the fridges, but I do not think that there was any suggestion of their being made optional; because they are fitted items, it was never an option to make them optional, unlike the moveable furniture.

Ms Alexander: I accept happily that the decision was taken by the corporate body a number of years ago, and I presume that the elected politicians were aware of it at that stage. However, given the escalating costs, it is a matter of regret that at no point in the intervening years did anyone associated with the project query whether that aspect of the fit-out was necessary or raise the issue for the progress group to review at some stage. I make that observation given the extensive negative publicity that has been associated with a fridge being compulsory in every member's office, and a procurement price that does not seem to be hugely competitive. I will leave it at that, unless anybody wants to make any further observations.

Mr Home Robertson: The matter never particularly crossed our radar. I take Wendy Alexander's point: we have had lots of interesting publicity over the years and we never know what the media will light on next but, to be frank, the presence of a small fridge in each office paled into insignificance when compared with the scale of some of the other problems with which we in the progress group were struggling.

Fergus Ewing: I return to the question of whether there is a plan B and to timing. Paul Grice's evidence today seems to me to contradict what I believe the Presiding Officer said previously, which was that if we were not in the building by September, the next date at which we could move in will be January. That is my recollection of what the Presiding Officer said, but it is completely at odds with what the chief executive has said today, so I ask Paul Grice to comment on that.

Paul Grice: I would be happy to do that. I do not believe that I have ever contradicted the Presiding Officer and I do not intend to do so if I can avoid it. I stand by what I said to Mr Brocklebank—who pursued a reasonable line of inquiry—and I hope that Fergus Ewing accepts why we are adopting that line. I am a bit reluctant to speculate on what the Presiding Officer might have meant, but I think that he was seeking to drive home the importance of focusing on the summer and on the major consequences of not achieving the move in the summer, which I do not dispute.

I said to Mr Brocklebank that if—it is a big “if”—there were any need to revisit a summer migration date, I would expect to start from the beginning rather than jump immediately to another date. We would have to consider a new date very carefully. There are many variables, not least of which are the migration issues and the business of the Parliament, and we would have to consult many people, so we simply cannot speculate.

I think that the Presiding Officer was trying to illustrate the importance of migration in the summer, which is a pretty obvious point at which to do it. The summer is the long recess period, which will allow us to move without disturbing parliamentary business. We have always been mindful of the need to try to move with the minimum disruption. We realise that Parliament needs to go on and that the summer recess is available, so the Presiding Officer was making the point that there would, if we were to miss the summer, be significant consequences. That is not inconsistent with what I said to Mr Brocklebank, which was simply that, in the unlikely circumstance that we had to draw up a plan B, we would do that; would consider it very carefully and we would report to the committee on our plans. I honestly do not believe that that is inconsistent with what the

Presiding Officer said or with what he believes to be the case. I reiterate that the Presiding Officer has taken the lead on, and set the tone for, a summer migration. We have all backed him 100 per cent on that.

Fergus Ewing: Have the cost consultants provided an estimate or estimates of the costs of delay if completion is not on schedule? I ask that question while being cognisant of the fact that estimates of the monthly costs of delay have been provided previously. My recollection is that the monthly cost was estimated to be a minimum of £600,000, although I presume that removal of the cranes will reduce that substantially. Have the cost consultants provided estimates of the costs of delay—if they have, we have not seen them—in particular of the monthly cost of delay?

10:45

Sarah Davidson: The short answer is no—they have not provided any such estimates and there are two reasons for that. As has been explained on previous occasions, the cost consultants can only cost a programme. The cost of delay would be different depending on whether the delay was a week, three weeks, a month or longer, and the only way that such a delay could be costed is with a timescale.

Fergus Ewing correctly mentioned the £600,000 cost of running the site. That does not include items such as craneage or scaffolding; it is purely the cost of site management, welfare services and so on. Without anybody lifting a finger, there is a £600,000 cost. To that extent, we could say that if Bovis were on site managing an active site for one month longer, the minimum building brick of the cost would be £600,000. However, as the committee has seen over the past year or so, the real costs lie in trade-package contracts' being delayed. That is where the costs really add up, and the only way in which we could quantify that would be to identify which trade-package contracts were delayed and for how long.

At the moment, the costs that we have are the costs of programme 7B, which targets occupation this summer. Those are the only costs with which we are working.

Fergus Ewing: I understand that answer—for which I am grateful—and the line of argument. My difficulty, which I raised the last time the committee discussed the matter, is that we are by implication approving more acceleration measures to achieve completion.

Mr Home Robertson: No.

Fergus Ewing: At least, there may be acceleration measures.

Mr Home Robertson: If necessary.

Fergus Ewing: One suspects that there will be—at least, I do. However, if the September completion date were not met, the additional amounts of money that had been spent on acceleration would have been wasted. Is that the case?

Sarah Davidson: The decision on whether to take acceleration measures lies with the project team, acting on the advice of Bovis and the cost consultants. We would, therefore, approve an acceleration measure only fairly late on, and if we thought that it would have the required effect. We are always weighing risks when we take such decisions, but the fact that we have taken very few acceleration measures to date when we are only a few months from completion gives a fair degree of reassurance that we are not throwing money away.

Fergus Ewing: I am not suggesting that throwing money away would be authorised, because it obviously would not, and I appreciate that the judgments are difficult—no one would suggest otherwise—but I am not comforted that we will achieve the timescale. I hope that we will, but I am not persuaded that we will, because there is so much incomplete work and so much that is yet to be done.

I have one final area of questioning—I have also raised it previously—which is the possible extra costs of claims for loss and expense; that is, claims using the available statutory procedure of adjudication, or perhaps without it. The information that I have been given by specialists in the construction world is that the end of a project such as the Holyrood building, in which a high degree of uncertainty and complexity is coupled with accelerated works, is exactly the circumstance in which all sorts of extra claims are made by contractors under trade packages that have been awarded, or by subcontractors who are engaged in work on the project. Is that something that you have considered? Has any specific financial provision been made for the total cost of liabilities that might emerge from the adjudication process, or from an informal process of settling claims without resort to the statutory remedy of adjudication? If you have made provision for that, what is it? What is the total amount and is it in the programme contingency or the construction reserve?

Sarah Davidson: Provision for such claims is made in both those figures. All the money in the reserve and in the programme contingency is set against individual packages, except the pool that is left over for acceleration measures. All the claims that we expect to relate to loss and expense through prolongation and delay are discussed weekly by trade-package contractors, Bovis and DLE, who therefore have a good understanding of what contractors are claiming for.

Everybody understands that they are working in a public sector context in which, for audit reasons, all claims must be thoroughly scrutinised before they can be met. It would be naive to suggest that all those contracts will be settled without any coming and going on both sides, but we hope to agree them in due course without recourse to formal procedures. That has certainly been the case to date.

Fergus Ewing: Do you mean that the adjudication mechanism has not been used?

Sarah Davidson: I understand that one small amount of money from some time ago is about to go to adjudication—it does not relate to a live package.

Fergus Ewing: I will pursue the point to try to achieve more clarity. If a contractor wanted to pursue adjudication, they would be entitled to do so. By raising the issue, I do not mean to suggest that anyone should not do that—the opposite is the case. The procedure exists to prevent abuse of subcontractors and small companies by companies that have more muscle. I hope that my remarks will be seen in that light.

I will press you on one question that I asked, which you answered partly. In our budget figures, what is the total for loss and expense? You said that all the money is for estimated loss and expense in relation to each package, except the money for acceleration measures. Will you separate the totals for loss and expense and for acceleration and tell us those figures?

Sarah Davidson: I do not want to give a misleading answer. The money that is sitting in the construction reserve against individual packages is additional to the money that is in the current commitment against individual packages. A considerable part of that is yet to be confirmed in the settling of final accounts. Until it has been agreed finally, even the money that appears in the commitment line could reduce or be supplemented by money from the construction reserve. Assumptions are made in the construction commitment line about money that is allocated to individual contractors for loss and expense over time.

Money for loss and expense does not sit simply in the reserve lines. However, the total in annex A is the amount of money that the cost consultants have advised us is required to meet each trade package contractor's entitlement. It is, of course, always possible for a trade package contractor to go to adjudication or to law and prove that he has greater entitlement than that which the cost consultants have assessed, but we employ the cost consultants and Bovis to make the best estimates they can. We would deal with such a situation if it arose, but there is no indication that that is an issue.

Fergus Ewing: I just want a specific figure, please. Perhaps you cannot provide it now; I presume that you cannot because you did not expect to be asked for it. However, the question will not go away. On the contrary, we will return to it. It would help to have the answer to my question about what the total allowance for loss and expense is. It is obvious that it would be wholly wrong for you to reveal the figure for each contract, because that might jeopardise negotiations that are taking place.

Mr Home Robertson: Exactly.

Fergus Ewing: I make it clear that I acknowledge, understand and agree with the need for that. However, that should not prevent us from being told the cumulo figure, because it relates to a large number of contracts and would not reveal any commercially confidential information. We are entitled to know the total, but not the provision for each package. Will you provide a budget line on that? I suspect that the argument will run and run and I would not be surprised if the figure is exceeded substantially.

Mr Home Robertson: Fergus Ewing answered his own question. If any of today's witnesses published figures that led contractors or subcontractors to think that a pot of gold had been budgeted for, that would be taken as an invitation to try to dip into that pot.

Fergus Ewing: It is known that the pot exists because you have said that it does. I have said clearly that I am asking for the disclosure not of each element, but of the total. Will you provide that information?

Paul Grice: I am happy to examine the issue and come back to the committee about it. I am sure that we can provide a general indication. As Fergus Ewing acknowledged, we do not want to compromise negotiations. I am sure that we can come back to the committee to throw some light on the matter.

John Swinburne (Central Scotland) (SSCUP): It would be remiss of us not to acknowledge the great work that George Reid has done to get a grip on the project and to shake some sense into it, unlike the previous incumbent. George does not have a plan B, but I think that the previous incumbent had a plan Z and that he went through the whole alphabet.

The tremendous amount of worry about the pomp and circumstance of an opening ceremony is a bit off-putting. We should all put our tails between our legs and slink into the place, then have an opening ceremony next summer when the heat is off.

I have one other minor point to make. I hope that there is no truth in the statement from Robert

Brown in some papers that we will have an Edinburgh palladium at Holyrood at weekends and use this magic auditorium for orchestras and so forth. I take it that that statement has no truth.

Robert Brown: I will get back to John Swinburne on that. Some exaggerated statements have been made—I will put it no stronger than that. It is fair to say that the Parliament building is Scotland's building; it is for the people of Scotland. Many people will visit the building and close attention is being paid to how best to accommodate the estimated 700,000 visitors a year and how best to use what we all accept is a very expensive building.

The Convener: I thank the witnesses for attending and for giving evidence. I am sure that we will see you again.

Public Sector Jobs Relocation Inquiry

10:57

The Convener: For agenda item 2, we will discuss matters that arise from case studies that members undertook. Each committee member will have received copies of the reports of all the case study visits that were undertaken, which were to the Scottish Public Pensions Agency in Galashiels, to VisitScotland, to the Scottish Executive inquiry reporters unit in Falkirk and to Dublin to investigate the Irish Government's decentralisation policy. Members who undertook the case studies will talk about their visits, after which we will have a general discussion of the issues that have been raised. Ted Brocklebank has lost his name-plate, but I am sure that we all recognise him. He will talk about the SPPA, which he and I visited.

Mr Brocklebank: I am indebted to Emma Berry not only for pulling together all the information competently, but for waiting 45 minutes in the freezing cold for me because I was late on the morning when I was to pick her up on the way to Galashiels. She has done an excellent job in the circumstances.

I do not propose to read out the whole report of the visit. I will simply highlight the background to the study. The SPPA is part of the Executive's Finance and Central Services Department. It administers and regulates the national health service and teachers' pension schemes in Scotland, and other occupational schemes for which Scottish ministers are responsible.

The lease was due to expire on the SPPA's offices in St Margaret's House in Edinburgh, so it was announced that the SPPA would relocate. Before its relocation, the SPPA employed about 175 staff, most of whom were at clerical grades A and B. Staff were involved in the consultation process, but they commented that the time between the decision to relocate and the announcement of the new location was of concern to all staff, and that morale was very low at that time, especially among staff who knew that they could not relocate outwith Edinburgh.

However, in July 2001, it was announced that the agency would relocate to Galashiels and it moved to a purpose-built office in Tweedside Park in September 2002.

11:00

Following the decision to relocate to Galashiels, 30 staff members decided that they would remain working for the SPPA. Some who lived close to the agency's previous office in the east of Edinburgh opted to commute. I believe that, had

the SPPA relocated further from Edinburgh, the number who decided to relocate would have been lower. In the event—although I do not think that this is included in our report—only seven people actually moved to Galashiels. I will come back to that point. The SPPA currently operates with an overcapacity; it has 210 staff members, but it is intended to reduce that number to 180 through natural turnover in the next few years.

What about the advantages of the move? The SPPA management has found it much easier to recruit staff in the Borders, which is partly because there are few major clerical employers in the area and partly because the Scottish Executive's basic salary is above the average in the Borders. As for disadvantages, it has been identified that in the longer term progression and promotion opportunities for staff may be a problem. That relates to the fact that the grades of employment are fairly basic.

We talked to a number of staff about their experiences of setting up in Galashiels. Many were delighted with their new offices, but they had clearly gone through a difficult learning process while settling in. They said that it would have been beneficial if a project team—comprising staff members, Scottish Executive representatives and a project manager—had been in place to manage the relocation and to provide specialist support to staff.

On the positive side, the SPPA continued to meet all its operational targets throughout the relocation process, except the targets relating to correspondence. Those figures fell initially, but have now risen to a higher average turnover than was the case before the move.

My only question would be to ask—we will discuss this in relation to other relocations—what is the purpose of relocation. Is it to move people from the capital to the regions of Scotland, or is it to take jobs to the regions of Scotland? If the purpose is to take people to the regions of Scotland it has failed, based on the experience of the SPPA, because only seven people moved to Galashiels. If the purpose is to push valuable jobs out to the regions, that relocation has obviously worked.

The Convener: I think that we will go through all the reports briefly and then have a general discussion at the end. Jeremy Purvis will talk—briefly, I hope—about VisitScotland.

Jeremy Purvis: I take the hint, convener, in the good spirit in which it was intended. For the record, I would like to mention that I joined the convener and Ted Brocklebank after their visit to the SPPA at a meeting with Scottish Enterprise Borders and Scottish Borders Council to discuss the work that was done before the relocation of the SPPA.

John Swinburne and I visited VisitScotland to discuss a relocation that did not happen and the reasons behind that. We met the chief executive and a senior director involved in the process, and subsequently we met people who were described as representing a cross-section of staff. Those people included representatives from finance, corporate affairs and industry liaison. The make-up of the labour force at VisitScotland differs considerably from that at the SPPA. A quarter of VisitScotland staff are in clerical jobs, so the situation in terms of clerical and administrative posts and more senior posts is the reverse of that at the SPPA.

Staff at VisitScotland learned about the relocation through a press release on the Scottish Executive's website. They raised that as an issue with us. However, senior staff were aware of the Executive's relocation policy to the extent of the triggers to relocation such as lease breaks. Staff had participated in a major internal structural review that led the management team to put forward forcefully the argument that, because the review had recently concluded, there was a strong case for VisitScotland not to be relocated.

Management established a steering group that included staff representatives. It is fair to say that VisitScotland management had quite an open and proactive relationship with staff in disseminating management views on the process of relocation. Staff indicated that uncertainty had had a detrimental effect on morale but that that effect had been offset by the management's proactive approach.

Management put forward a business case for keeping VisitScotland in Edinburgh and it was supported in that by the sponsoring department in the Executive and, interestingly, by the relocations unit in the Executive. The key to the business case was the recruitment and retention of senior staff, especially in marketing and creative areas, in which many staff are employed. VisitScotland identified problems with recruiting staff to areas of Scotland where staff might see difficulties in career development opportunities or interaction with the private sector in those areas. We were given the example of some VisitScotland staff relocating to Inverness but, subsequently, senior marketing staff relocating back to Edinburgh to gain access to those kinds of opportunities.

Management was at pains to point out that, because VisitScotland is a national body and because the review has recommended that it should have a number of regional hubs across the country, the relocation of staff would be considered in future. However, management was very firm that that would be done only on the basis of a strong business case. Its argument was not predicated on the idea of staying in Edinburgh, but

it pointed out clearly that the business case had concluded that Edinburgh was the best place for VisitScotland.

The Convener: Kate Maclean will report back from the Scottish Executive inquiry reporters unit.

Kate Maclean (Dundee West) (Lab): Susan Duffy and I visited the new SEIRU headquarters in Falkirk on 31 March. That was only a few weeks after the move so it might have been a little too early for staff to say how things were settling down. Originally, 26 staff were based in Edinburgh city centre; only seven opted to move to Falkirk. In at least one case, the move was based on a promotion and might not have happened otherwise.

Because so few staff members relocated, they had to do a lot of the training. Some training was done before the relocation and some continued after. I do not know whether the cost of that training was included in the relocation costs, but such costs will certainly have to be considered in future.

We spoke to two managers and, separately, to some staff. The staff felt that they had been kept informed about the process and knew about the basic options for moving. All the staff would have preferred to stay in the city centre, but they felt that they had been consulted. However, despite that, staff felt that they had not been given any practical assistance on, for example, even simple things such as mail collection. Despite the fact that they were now working in a different area, staff were not given information on that area or even on how to apply for assistance with travel if they were commuting. It seems that a lot of work will have to be done to help staff who are relocating.

Managers and staff felt that the relocation had been positive in that it had allowed changes in working practices because so few of the original staff had moved.

I think that everybody felt that it would not be easy further down the line. Of SEIRU's 26 staff, only seven moved; the other 19 were reabsorbed elsewhere in the civil service in Edinburgh. All the staff who started working in SEIRU's new headquarters were existing civil servants who were able to take up posts nearer their homes that suited them better. However, further down the road that will not be possible, especially in the case of larger relocations. The staff to whom we spoke felt that we had not properly seen the impact on staff, who may be unhappy about relocations.

The Convener: Finally, Elaine Murray and Fergus Ewing will report on their visit to Ireland.

Dr Murray: We were the lucky people who got to go on the exciting trip to Ireland.

Kate Maclean: The trip to Falkirk was exciting too.

Dr Murray: I am sure that there was nothing wrong with Falkirk.

Our visit to Ireland was extremely interesting. The Irish relocation policy is based on two ideas. First, people are moved voluntarily. If staff do not wish to move, provision is made for them to transfer to other parts of the civil or public service. As an aside, I must say that I was interested to read in the other reports that that has happened in practice in some of our relocations. Although the voluntary principle is not part of the Scottish system, it seems to have been used in certain respects and it is important. Secondly, the locations to which jobs are moved in Ireland are determined in line with the national spatial strategy, which is a national strategy for the regeneration of various parts of the country. The policy is therefore holistic as it is aligned with the country's regeneration strategy.

It is too early to say whether the Irish programme, which is very ambitious, will succeed in its aims. Some people told us that it could not work; others felt that it could. However, the Irish Government should certainly be commended for its breadth of vision: it wants to relocate more than 10,000 public sector jobs over three years. It is perhaps too early to say whether that target is achievable or whether it will cause problems in the public services. It is also too early to say whether adequate budgets have been set aside for the policy, but the Irish certainly have a headline strategy.

Although we were not able to look at anything that has been done under the new strategy, we saw what had been achieved under the old policy. We visited Dundalk, which is where the finance section of the Department of Social and Family Affairs was relocated under the previous policy. Aspects of the old policy are relevant, in that nobody who now works in that section had relocated. Instead, the staff had transferred from other parts of the civil service. Members of staff were recruited and trained in sufficient numbers for the office to be able to operate successfully. In fact, some benefits came from the relocation because of the fact that new members of staff came in with new ideas. Apparently, those who wanted to stay in Dublin were able to do so by being redeployed elsewhere and people were found from other parts of the civil service who were quite happy to be relocated to Dundalk—perhaps because they lived there or because they lived in areas from which it was easier to commute up to Dundalk than down to Dublin. We were impressed by how well the policy seems to have worked.

At an early stage in our discussions, concerns were raised about the national spatial strategy. The trade unions, as one would expect, flagged up concerns about possible problems for their members. At the moment, we do not know whether all those fears will be realised, but the trade unions certainly made their case forcibly. The national spatial strategy was also criticised by Bernard Durkan, who is a member of the Opposition. When I asked him, he said that the strategy was horse manure, but he did not explain why he felt that way.

Personally, I was quite impressed with the Irish idea and by the way that it ties in other policies and aligns them with the national regeneration strategy. There are certainly advantages to a policy that tries to match up the different policies of Government. I found it extremely interesting and commendable. We certainly spent a valuable couple of days learning how things are done over there.

The Convener: Does Fergus Ewing want to supplement Elaine Murray's comments?

11:15

Fergus Ewing: Obviously, the Irish model is different from the Executive's policy in several respects. Elaine Murray was right to say that it is extremely ambitious.

First, the policy is described in terms of decentralisation rather than relocation. That is significant. The aim is not simply to shift jobs but to move them out of the centre as part of a national spatial strategy. The policy has already been in operation on a smaller scale over the past 16 or 17 years, during which time nearly 4,000 jobs have been relocated, but the Irish Government now plans to step up the level of decentralisation by moving 10,300 posts over three years. That is an extremely short period. Many of those to whom we spoke argued that that was too short, but the Irish Government certainly cannot be criticised for a lack of ambition.

Secondly, I understand that the desired upshot of the policy is to have half of all civil servant jobs in Dublin and half outwith Dublin—so much so that half of all departmental headquarters will be moved outside Dublin. All the proposed decentralisations were itemised by the Minister for Finance, Charlie McCreewy, in a speech on 3 December. His speech was notable for the fact that it not only described the principles behind the policy but detailed every job that was to be decentralised down to units of a very small number. In other words, the policy that was announced was comprehensive and detailed.

As Elaine Murray correctly suggested, the policy is not without controversy. Indeed, it is difficult to

see how such a policy could be anything but controversial. However, our discussions with some of the civil servants who have been close to the process were extremely useful. The approach of both senior civil servants to whom we spoke was one of total candour, which I found very refreshing as it contrasted with what has been our experience here from time to time.

We heard about the move to Dundalk of the payroll function of the Department of Social and Family Affairs. During that move, despite the concatenation of a number of difficulties—the fact that none of the employees who carried out the function in Dublin moved to Dundalk; the introduction of the euro and of a new information technology system; and the last-minute withdrawal of a very senior person who had been engaged in training the new people—there was no disruption to the efficient running of the payroll department. That is a tribute to all the staff, especially to the civil service lady whom I am thinking of, who seemed to be extremely capable.

The Dundalk relocation illustrates the fact that, although the unions have rightly identified that there are difficulties with the policy, the lesson of the past is that such relocations have been a success. No loss of function has been experienced, while considerable economic benefits have been moved outwith Dublin to other parts of Ireland.

I thank the clerks and Ross Burnside, who is present, for helping to produce our report, which is a substantial piece of work that details some extremely interesting issues. Let me allude to some of those issues to supplement what Elaine Murray said. In particular, I want to highlight the stratified process for deciding who has first shot at applying for a relocated post. The series of preferences is described in paragraph 30. I think that that sequential ranking method provides a clear indication to staff of how the system will work. Paragraph 30 states:

"First preference will be given to staff currently serving in posts being decentralised;

Second preference will be given to staff serving at the same grade in other posts in the same Department, Office or organisation".

Some issues were not yet resolved, but instead of being skated over—as we see here on occasion—they were acknowledged explicitly. A particular problem about which we heard on several occasions was that in many cases husbands and wives were both working in the civil service, which creates particular problems. The Irish have not resolved those problems, but they acknowledge them, which is stated in paragraph 30.

As I understand it, the issue of transferability from the civil service to quangos has not been

resolved. In the report, we say that there will probably need to be transferability, particularly if the relocation of quango-type functions goes ahead. In a quango such as Scottish Natural Heritage, if the staff do not have the right to take up a position within the civil service, their options are limited. If there is to be a large-scale policy in the Irish sense, the widest choice for individuals has to be available.

Another benefit of the scale of the policy, which we acknowledge in the report, is that every part of Ireland will receive economic benefit, which means that there will be options for people in Dublin to relocate to various parts of Ireland. Many people in Dublin came originally from rural parts of the country and now have the opportunity to return to where their family came from, which is popular in some instances.

The downsides have been outlined; it is impossible to have such a policy without tears. However, I was struck by the evidence from the senior civil servant who served at the Department of Education and Science, which was that the previous relocations had gone ahead without a single compulsory redundancy. I thought that that was a remarkable tribute to the work that had been done.

Despite there being opposition to detail of the policy and to particular moves, for reasons that we acknowledge and understand, there was an abiding sense in our discussions that the decentralisation policy that has been announced as part of the national spatial strategy is acknowledged as being for the good of the country. Although there was criticism of certain details, there did not appear to be criticism of the principle behind the policy. The fact that the policy is linked to a national strategy for the good of the country seemed to me to contrast with the ad hoc approach to relocation policy in Scotland, where it seems that the usual trigger for the relocation of any function or department is a lease coming to an end. That is an unacceptable, ad hoc approach to a policy; we are crying out for a national strategy. I am not saying that we should replicate all the detail of what operates in Ireland, because that is neither possible nor desirable, but the voluntary principle, the lack of compulsory redundancies and the undoubted huge benefits to the less well-off parts of Ireland are commendable aspects of the policy.

The Convener: I open out the discussion to members.

Jeremy Purvis: I am glad that I was brief, to allow other members an opportunity not to be. On our visit to VisitScotland, the clear message from the management was that decisions about any relocation should be based on the business case for what is best for the organisation and for staff as

well as on the objectives that ministers have set. A far more voluntary system, such as that in Ireland, which is set out in the thorough report, can work only if there is a national approach, because otherwise there would be no options for civil servants. There can be a national approach, with the proposed geographical spread and number of civil servants to be decentralised, only if there is a national spatial strategy.

I would welcome the thoughts of Fergus Ewing and Elaine Murray on the Scottish context. I note that the Irish strategy is called "People, Places and Potential". If in a Scottish national spatial strategy we used only the indicators of unemployment and social deprivation, relocations would be directed to the central belt, which means that it would be impossible to have a system of decentralisation. There would be no relocation to the Highlands, the south of Scotland or the Borders, which do not meet the social deprivation and unemployment criteria. I am interested in hearing views on whether the Irish model is relevant to Scotland, given that context.

John Swinburne: We should consider also the economic development of areas where there is not the pool of unemployed and so forth. It is important that outer areas get regenerated as much as possible through relocations. That factor does not come into the Irish model, but we should take it into consideration in Scotland.

The Convener: I will respond to Jeremy Purvis's points and raise a couple of others. It seems to me that the economic and geographic profiles in Ireland are quite different from those in Scotland. The issue in Ireland is the overheating Dublin economy and the need to disperse jobs to other parts of the country. Here the areas of most concentrated unemployment are in west-central Scotland. One of the issues to consider is whether there should be transfers of jobs from Edinburgh to places such as Glasgow and perhaps Dundee, which have problems with high levels of joblessness, or even beyond to places such as Lanarkshire and Dunbartonshire, in the context of there being a travel-to-work area around Glasgow.

There is a separate issue around whether and how best the dispersal of jobs to other parts of Scotland where there are few or no civil service or Government jobs can be achieved. We have to separate the issue of transferring jobs from areas such as Glasgow to areas where jobs are needed more, but where there are civil service jobs already, from the issue of dispersing jobs to areas where such jobs do not exist or where there is not sufficient access to them. Any national spatial strategy for regeneration in Scotland would need to take account of both transfer and dispersal of jobs. That is not to say that regeneration is all one thing; it must mean different things in different

parts of Scotland. In Ireland it makes sense to frame the policy in terms of decentralisation, but in Scotland we need to take a different approach that takes account of our slightly more complex geography.

I want to highlight two other issues. One is that, from the evidence that we have taken—I did not have the opportunity to go to Ireland with Fergus Ewing and Elaine Murray—neither in Ireland nor in Scotland does there seem to be an adequate acknowledgement that relocation is costly. In effect, relocation will bring with it associated training, recruitment and operational costs. It may be that there are positive benefits in the long term, as was the case with the move of the Scottish Public Pensions Agency. Although people had to make adjustments, no one lost their job. The process led to the creation in Galashiels of 200 or so good quality jobs that had not been there before, which was a positive boost for the area. That is something that can be examined in other areas.

11:30

As Fergus Ewing has suggested, relocation is presented as a decision that is triggered by the ending of a lease arrangement. There is no coherent economic pattern for how such a programme is to be developed. No assessment is made of what kinds of jobs should go to what kind of place and what the benefits might be. It would be helpful to have a more strategic approach that identified that a cluster of relocations might be particularly appropriate in a place such as Galashiels but might not be appropriate in another area.

At the moment, the situation is the result of happenstance. Happenstance has meant that clusters of relocations have taken place in Dunfermline and Falkirk but not in Galashiels or Dumfries or other parts of Scotland. There needs to be some intellectual co-ordination of the process and it must be properly costed, just as we try to properly cost bills and other measures.

We should not just consider the Executive and Executive quangos. A number of new bodies that have been set up by the Parliament, such as the ombudsman and the freedom of information commissioner, have made relocation decisions that, in my view, are past comprehension. Those bodies do not seem to be accountable in any way. Perhaps the Finance Committee should pick up that issue by saying that it does not matter whether the policy is an Executive policy or a quango policy; what matters is that there should be a Scottish policy into which bodies should be required to fit, whatever their constitutional mechanisms are. We need to avoid sticking close to Edinburgh, which is the default position, as it is defeating the purpose of the policy.

Mr Brocklebank: I agree entirely with what the convener says. The word that occurred to me was “coherent”. There appeared to be no coherent strategy, at least in relation to what happened in Galashiels. In that case, the alternative locations that were suggested were places such as Wick. Immediately, people thought, “Oh my God! We do not want to go to Wick.” Wick is a wonderful place—I would not say a word against it—but, from the perspective of the people concerned in Edinburgh, Wick was put down as the area to which no one wanted to go. The choices began to be boiled down to more centralised places that were within an hour’s drive of Edinburgh, as they seemed more acceptable. To some extent, that is why so few people went to live in the Galashiels area—they could still commute backwards and forwards from Edinburgh.

We heard from the business group and the enterprise people that we met in Galashiels that they were asked to come up with their best shot at a location. Hawick might well have had a good claim but because the right office facilities were available in Galashiels, that became their proposal. Similarly, Dunfermline was the proposed location in Fife. To my mind, that did not seem to take into account the fact that Dunfermline was one of the two overheated places in Fife, because it has a tremendous number of developments on the ground of its closeness to Edinburgh. The other overheated place in Fife is St Andrews, which is at the other end of the county. As the convener said, it has the freedom of information commissioner, because the commissioner simply elected to go there with his staff. There is a lack of coherence to such decisions. Although Glenrothes has a major employment problem and is haemorrhaging jobs, it did not seem to register as a possible location.

The Irish programme is on a far bigger scale, as it involves relocating 10,000 jobs over three years—that represents a major strategy. Ireland is perhaps not the example that we should be concentrating on. I was amazed by how little strategy there appeared to be. Suggestions just seemed to pop up and people would say, “That seems a good place.” Prizes seem to be awarded to different places—dare I say it—on a political basis. The logic seems to be, “That seems a good place to get a few votes; let’s put a centre there.” That is what came through in what we heard.

The Convener: If you had examined the situation about seven years ago, you would have noticed that Stirling’s name kept popping up.

Jim Mather (Highlands and Islands) (SNP): The paper on Ireland is wonderful. An enormous amount of work has gone into it, and it is easy to read and very positive.

In my view, there are essentially three issues. The first two issues are how we boost competitiveness across the board in Scotland and how we achieve some balance. In far-flung places such as Wick, hospitals are under threat and there is a huge migration of local graduates out of the area. An enormous demographic skew is kicking in, which we just do not see in the central belt. The third issue is the cost-effectiveness of government. I am not suggesting for a minute that decentralisation will handle all that, but the alternative that we face is to sit back and watch areas implode, fall below critical mass and be handled in the same way as places such as Oban, Fort William, Rothesay and Wick, where key services such as hospitals are being downgraded because of lack of economic activity. The only thing that is certain is that downgrading those key services will result in a further spiral of decline.

The Irish example is of great interest, but I do not view decentralisation as being the only tool to remedy matters.

Kate Maclean: I suspect that we will all get lots of letters and e-mails from people in Wick telling us what a nice place it is; I am sure that it is a nice place.

I want to pick up what the convener said about jobs. When we come to publish our report on the relocation inquiry, it would be useful to separate posts and jobs. With many of the relocations, posts are being relocated to other areas. I visited Falkirk and the SEIRU relocation did not result in any new jobs being advertised externally. My understanding is that the 19 posts that were vacant because people did not want to move from Edinburgh were filled by existing civil service staff.

I would have thought that areas submit bids for the location and relocation of bodies because they want new jobs to come into the area, but that often does not happen. In Dundee, the Scottish Commission for the Regulation of Care posts were taken almost entirely by people who had moved from the three local authorities that are nearby and from local authorities that are further away; not many jobs would have been advertised. It would be useful for us to identify in our report how many jobs have been created through the various locations and relocations. We might already have that information.

In my view, the Scottish Executive would want to base any future policy on the benefits to particular areas. Having the headquarters of an organisation has obvious benefits—it means that the name of the city in question appears on the organisation's headed paper. There is a kind of prestige involved, even if not many jobs are created. If we are to make suggestions to the Scottish Executive on a national strategy, those suggestions must be based on how many jobs have been relocated

from Edinburgh. I suspect that we will find that not many jobs have been created; it is simply that posts have moved. Having good-quality posts obviously offers some benefits to local economies—it helps people who are looking for housing and gives them more money to spend—but that is not the same as creating good-quality, sustainable jobs in an area. It would be useful to have the relevant figures before we make any recommendations to the Executive.

Dr Murray: I want to respond to Jeremy Purvis's not-so-brief question. I do not think that it is being suggested in the exceedingly well-written paper on the Irish policy—which was written by Ross Burnside, not by me or Fergus Ewing—that we should transpose the Irish model to Scotland. It is a question of what we can learn in a Scottish context.

Ireland is a very different country and, as the convener said, Dublin is very expensive and has an overheated economy. We were told by the unions that one of the reasons why people do not get a relocation package is that it is felt that people will make so much money by selling their property in Dublin that they will do quite well and will not need such a package. That is also one of the reasons why the amount of money—about €20 million—attached to the cost of the relocation policy is not large. The Irish Government assumes that selling its properties in Dublin will help to fund some of the relocation, although it is not known whether that will work on such a large scale.

Scotland is different. I do not think that there is any way in which a regeneration strategy in Scotland would look simply at social deprivation and unemployment, because the problems in parts of Scotland are not necessarily connected with unemployment, but are concerned with demographic change. That relates to the issue that Kate Maclean raised. For example, we would want posts in Dumfries not because there is a particularly high level of unemployment there but because young people and professionals move out of the area and do not come back. Having those posts would assist regeneration through attracting people of different generations to rural areas.

That said, there are things that we can learn from a strategy that focuses on the problems that need to be addressed in the different areas of Scotland. I hope that what is relocated will be what fits in an area. In Ireland, where there was some criticism of relocation, the Opposition suggested that the location of departments had been decided on the basis of where the ministers lived. I do not think that that is terribly likely, as it would mean that, forever more, the ministers would have to come from those particular locations. I do not foresee any future Taoiseach being constrained in

their appointment of ministers in that way; however, that criticism was levelled at the national spatial strategy. The Executive will have to be quite transparent about the reasons why certain locations are thought to fit well with the organisations concerned.

Jeremy Purvis also mentioned the business case for relocation. I do not think that there has been criticism about lack of consultation. Let us be honest: no relocation policy is perfect, and not everybody will be happy about it. Some criticisms have been made of the national spatial strategy; however, that does not mean that we cannot learn from the ambitious programme in Ireland. There are things that Scotland can learn to its benefit from the Irish experience.

Jim Mather: Did the Irish mention any examples of things that they had learned in developing their strategy?

Dr Murray: I do not remember anything specific. As Fergus Ewing rightly pointed out, the new policy was a stepping up of the old policy: the Irish were learning from previous voluntary relocations under that policy and seeing whether it could be stepped up in a much larger programme. It is early on and they have not yet had the results of their survey of people's locational preferences to inform them whether the strategy is going to work. Nevertheless, they can draw on the experiences of their previous relocations.

The Convener: It is important to emphasise the fact that the figure of 10,000 posts has not been achieved but is an aspiration. The relocation of approximately 4,000 jobs has been achieved—there are issues there.

I will pick up on something that Elaine Murray said. It seems to me that a three-way issue is involved. First, there is a general principle about dispersal or transfer being a good thing in moving things away from the capital or an overheated area of the economy. The second part is about what is good for the bit of the office that is being moved and whether the Executive can produce a good business case for relocation in that context. The third part is whether adequate consideration is being given to the potential benefit to the relocation area. Relocation might be a good idea in principle but, if it builds up more jobs in Dunfermline, Stirling or wherever, the policy might just transfer jobs from an overheated area to an area that becomes heated up artificially simply because it happens to be only an hour away from the capital. It would be better to have a strategic policy to identify a number of areas towards which relocation should be directed in a co-ordinated way. That might deliver more returns, especially if it was done on a planned basis and if commercial organisations could buy into it.

John Swinburne: I agree with what the convener says; however, we should take a step back and look at the broader picture. We are trying to locate jobs to various areas from Edinburgh, but the most overheated area is the south-east of England. Our Parliament should be pressing to get jobs from down south up to Scotland. We need new jobs here so that people do not have to commute. Unfortunately, the trend seems to go the other way—one just has to look at the United Kingdom Atomic Energy Authority leaving East Kilbride to go south of the border. I just do not understand how we in Scotland allowed that to happen.

11:45

Jeremy Purvis: I have a question for the convener. I am trying to recall the way forward for our inquiry. There is a question about what would be an appropriate strategy for effectively triggering relocations—whether there is an assumption that all organisations should have a relocation review or whether there should be a set target, as there is in Ireland, whereby we would say, “This is the percentage of jobs that we aspire to move out of Edinburgh”.

My second point is to do with choice—the voluntary nature of relocation and what options there would be within organisations. My third point is on the fit of an organisation and how that is handled—whether there is a national strategy or whether relocation is done on a case-by-case basis to find the best fit.

I agree entirely with what Elaine Murray said about choosing an indicator. In her constituency and in mine, one can choose an indicator that is at the top of a list and another that is at the bottom of a list. That reflects the arbitrary nature of the criteria in the consultants' reports that we have seen. Those are big issues and consensus does not seem to be developing in the committee as to the way forward.

The Convener: With regard to mapping the way forward, Tavish Scott is coming along to give evidence on relocation issues on 4 May. Information is coming back to us from our online questionnaire, which we might deal with next week or on 4 May—we need to look at the logistics of that.

It might be useful to prepare a discussion paper on what we have done. In such a paper, we would try to isolate those issues and point to a way forward. We could then discuss the paper to see whether we can arrive at a more coherent consensus. At the moment, people are chucking in different ideas.

At the start of the process, our objective was to ask whether we could arrive at, if not a policy, a

framework for a policy that we felt was more closely geared to what the committee would like to happen. Since we started that process, big reviews have taken place down south. I do not agree exactly with what John Swinburne said, but we need to take into account the UK dimension and any dispersal issues that arise from that.

It might be helpful to begin work on preparing a discussion paper now. If we give ourselves two or three weeks to do that, we can feed in the other information that we gather. On the basis of our discussion of that paper, we could see whether we can move towards a map of where we want to go. I anticipate that we would look to complete something by mid-June. Does that seem a reasonable route forward?

Jim Mather: Will it be possible for us to get some hard numbers on the table vis-à-vis the SPPA and SEIRU? We need to know what the operational costs were pre and post the move. The intention would be not so much to map this year's costs for both those organisations against previous costs, but to map costs against what they might have been if costs in Edinburgh had inflated over the year.

The Convener: We could get that information. We also need to pick up Kate Maclean's point about the difference between posts and jobs. I will discuss the matter with the clerk after the meeting to see whether we need to get somebody to do additional work for us on some of the technical issues. We might need to submit a proposal for a relatively brief piece of work to facilitate the process.

Kate Maclean: It might be too early to get operational costs from SEIRU, because it has been in Falkirk for only four or five weeks. The organisation has not thought about some issues, such as the cost of mail when one is based in the centre of Edinburgh and all the mail is collected by a courier in a van. That is a huge additional cost, as are travel allowances and training. It might be a year before SEIRU will be able to give accurate figures for cost increases, and I suspect that there will be cost increases that were not accounted for when the proposals were made.

Fergus Ewing: I have a question about some of the other case studies, particularly Ted Brocklebank's report on the SPPA. The paragraph headed "Relocation Decision" points out that staff were concerned about

"the time between the decision to relocate and the announcement of the location".

I presume that that means that the period was relatively short. Perhaps Ted Brocklebank can tell us when the decision to relocate was made. The report says that, in July 2001, it was announced that the relocation would be to Galashiels. I ask

that question to make the point that it now appears that the process is ad hoc: there is no strategy, just an approach in which leases that are coming to an end are considered and the decision is made to shunt people out of town. If such consideration is to be part of the strategy, should not the leases of all public offices, civil service agencies and quangos be considered in a coherent way? Perhaps that information should be made available to the Finance Committee. Who knows but that agencies like Scottish Natural Heritage and the SPPA might emerge during the next year, with staff being presented with the policy but not given adequate notice. That appears to have been the case with the SPPA.

Mr Brocklebank: What actually happened was the reverse of that. I recollect that the reference was to the length of time that the problem hung over the staff. They knew that, in theory, they were going somewhere, and many different places popped up—rumours went round the organisation such as, "It looks like it's going to be Wick". Eventually, it seemed as if the staff were being softened up.

All the local authorities were asked to give it their best shot and submit their best place. The Borders proposed Galashiels—the location that was eventually accepted—but Fife proposed Dunfermline as its best shot. The places that seemed to be more in the loop were those that were within an hour's drive of Edinburgh. That is where the issue was settled.

I do not believe that there was a speedy resolution to the problem. It seemed to go on for a very long time.

Fergus Ewing: Fair enough. I can see that giving too much notice would create as much uncertainty as would giving too little notice.

Mr Brocklebank: That undermined the staff's morale.

Fergus Ewing: My point is about whether there should be a coherent approach to the topic. Perhaps we could get some more information from the Executive, particularly in relation to other major departments' leases that are shortly to come to an end.

The Convener: There will certainly be an opportunity to ask questions of Tavish Scott when he appears before the committee on 4 May.

We have had today's session to consider the case study reports, and we have taken evidence from Experian Business Strategies Ltd. There is now a significant amount of information. Does the committee agree that we should try to distil some of that information into an issues paper or discussion paper on which we can start work but which might not see the light of day until Tavish

Scott has been before the committee? That would give us something to work towards. We might try to complete the process by mid-June. Is that agreeable to members?

Members *indicated agreement.*

Budget Process 2005-06

11:54

The Convener: Agenda item 3 is consideration of a paper by our budget adviser on the recently published annual evaluation report. Members will be aware that the new AER is in a revised format and Arthur Midwinter's paper takes us through the contents.

The paper is clear and provides a good overview of the issues that have been raised. We have benefited from Arthur Midwinter doing the job for several years because we can see continuity and some progress. If he would like to comment on his paper, he should do so now.

Professor Arthur Midwinter (Adviser): The format of the paper is broadly in line with the discussions that we have had with the Minister for Finance and Public Services and the Deputy Minister for Finance and Public Services. The introduction discusses strategy, the middle section considers performance against targets and the third section updates spending plans. The only issue that was discussed on which we have not been able to make real progress is the financial reporting aspect of performance reporting. Given that the first financial year of the current spending review period has only just ended, outturn data are not available in time for this stage in the process. It would be helpful for me to continue to have discussions with officials about how we can factor in an element of financial reporting, if the committee is agreeable.

I will comment briefly on the sections on strategy and targets. This year's process is very different from the previous framework, in which there were five functional priorities and three cross-cutting priorities. The Executive has highlighted what it calls four key challenges. On the basis of the document, it is seeking to consult us and the public on the priorities for spending. Although I was pleased to see that there are fewer challenges—if the challenges are equivalent to priorities—I still did not find the statement of priorities very clear, especially as, according to the report, the challenges

“are not competing priorities, but interlinked objectives”.

Given that there is a growing but shrinking cake and that there will be competition for resources, I regard that as a naive statement. Sustainability is included as a cross-cutting theme.

My concern about the framework as it stands is that it would be possible for a department to defend almost any spending proposal against one of the four key challenges. I am not sure that that is a particularly helpful way of clarifying one's priorities. On the basis of the document, it will be

difficult for committees to audit spending to ensure that priorities are being met. It is possible to use economic growth as a strategic criterion for considering spending on services, as one can judge whether they contribute to it, but I have difficulty with most of the other challenges.

I also have concerns about the cross-cutting priorities. Have closing the opportunity gap and equal opportunities been downgraded as priorities? In the document as presented they are tucked away as a sub-theme under "Stronger, safer communities", rather than being cross-cutting priorities in their own right. From the AER, we cannot tell whether that is a major change. We should press the minister on that issue when he appears before the committee.

The press release suggested that 90 per cent of targets had been met or were on course for being met. However, it should be clear to members who have read the report that in some cases the Executive is simply on course for delivering data, as opposed to meeting targets. Although the priorities have been changed, the main problem that we faced in the previous document—that of linking priorities directly to resources and outcomes—remains. Roughly a third of targets are administrative and I am not sure that they need to be in the document. I do not regard targets such as delivering a best-value regime or a review of local government finance as central to the budget process.

Members will note that there is a change in the spending plans. Spending is about £1.5 billion higher than was indicated in the document that we received six months ago. The bulk of the increase is in annually managed expenditure. The single biggest item concerns the Scottish Public Pensions Agency. There is higher growth in AME, which has boosted the total. The increase has not taken place in areas where the Executive has much discretion.

My one concern about the document is that over the three-year period that we are considering there has been a minor fall in capital spending as a share of total expenditure. I am conscious of that because I have been working on a report on capital spending for the committee. The fall in capital spending seems to contrast with the drive from the United Kingdom Treasury to increase the proportion of public spending that is used for investment, as opposed to current services.

The Convener: Thank you very much. Before we discuss the paper, I point out to members that next week we will take evidence from the minister on the 2004 spending review and that there will be further evidence sessions on 4 and 11 May with the witnesses that the committee identified. On 25 May, at the conclusion of our evidence taking on this matter, we will take further evidence from the

minister. As this subject will clearly dominate our work over the next month, members will have an opportunity to pursue certain matters in depth and detail.

12:00

Ms Alexander: First, I thank the convener for helpfully setting out in his letter of 1 April the various outstanding issues from stage 1 of the budget and the performance monitoring processes. We are still waiting for a response from the Executive.

Before I come to Arthur Midwinter's helpful report, I want to put on record one other minor comment about the budget process. It is a shame that the long-term trend data are not available for committees, which this week are beginning their budget considerations in advance of the spending review. Indeed, the Education Committee is starting that process tomorrow. I just want to note that; after all, we can do nothing about the situation.

Given that the Executive has not made that data available in time for the committees' budget considerations and in light of the amount of effort that has gone into the process and the fact that the budget document is quite transient—although I should say that the AER is a huge step forward—it might be helpful if we could find a way of making the examination of long-term capital spend more systematic and less of a one-off exercise for the Executive. Indeed, we could wrap that up with the issues that we will alert the minister to next week and to which we will return in a month's time.

I am going to be slightly more upbeat than Arthur Midwinter was about the AER. At the start of the year, we decided this year to worry about what we are spending and next year to think about how the money is being spent. We have made considerable progress in that, for example, we will receive some trend data. Moreover, we now have five given priorities, even though they have generated 164 targets, most of which are organisational. That is progress. That said, Arthur Midwinter is right to highlight in paragraphs 7, 8 and 10 of his report certain questions for the minister such as how the priorities work in practice and how they are translated into any one spending decision.

That is all good news. However, I want to flag up an issue that I would like Arthur Midwinter to come back to us on at the end of the process and which should shape our questioning of the minister and the witnesses. If we are starting to get a handle on priorities and spending, we now need to probe the question whether resources are being used efficiently and to assess the costs that are being incurred and the service outputs that we are

receiving. That links not just to the question whether the targets are appropriate, but to the efficiency of service delivery, which is a matter that committee conveners have always wanted to pursue.

As Arthur Midwinter has pointed out, the most disappointing aspect of the AER is that only one of the 16 targets that have been set for the Finance and Central Services Department, which is responsible for the efficient use of resources, deals even vaguely with the issue of improving the efficiency of resource allocation. Indeed, even that target simply says to us, "Isn't best value such a good idea?" As a minister who once had stewardship of best value, I have never really thought that it has stood the test of time as a means of delivering productivity improvements in the public sector. As a result, I wonder whether we can use our evidence sessions to bottom out the question of what we are doing to improve public sector efficiency in Scotland and who is responsible for that. When Tavish Scott wrote to us in November, he said that a unit in the Finance and Central Services Department had that responsibility.

At the end of the process, we need to consider how the committee will turn its attention to that area. After all, the House of Commons Public Accounts Select Committee has led on whether it is better to deliver efficiency through targets or through introducing contestability into those services. The Treasury, the Office for National Statistics and the dedicated Atkinson review are all considering the matter. I cannot see much of that activity taking place in Scotland.

I would like those issues to dominate some of our questioning in the next month, with a view to the budget adviser advising us in June on how the committee should turn its attention to those matters on a more extended timescale next year. The issues are complex and difficult. It is a matter not just of aggregating targets, but of seeing how we can examine the efficiency of the public sector on an on-going basis. In the next month we should seek ministers' views on how they are addressing that, and we should schedule some time in June to think about how we might pursue the matter in the following year.

Dr Murray: The paper is useful. The four priorities reflect the headlines in the partnership agreement, so I can understand why they have been shown in that way but, equally, showing them in that way makes it more difficult to follow how the finance is allocated within the broad headlines. That is an important point to make to the Executive. I agree that we should look for more information from the Executive.

I was interested by Professor Midwinter's analysis of the types of performance targets—

which of them are organisational and which of them reflect outcomes. I was shocked to find that, under finance and public services, there are 16 organisational targets and no outcomes. We may want to put that point to ministers. I realise that the targets are one third, one third and one third overall. Environment and rural development, on the other hand, has 10 outcomes, six organisational targets and one output. There seems to be an imbalance between the different parts of the Executive in the identification of outcomes.

Another pernicky point is on paragraph 11, which states that some health improvement targets have been met, but that that could

"simply reflect improvements in lifestyle."

It could be argued that the Scottish Executive plays a part in influencing people's lifestyles, by means of the actions that are taken on substance abuse, physical activity or healthier eating. It would be difficult to say that the Executive has no role in those areas.

Jim Mather: The report is useful, and the analysis is worth while. It is good to have a collated view of outputs, outcomes and organisational targets. I am concerned, however, that there are no quantified macro-targets on growth, population, the productivity of Scotland and so on, which is disappointing. I am struck by the fact that Professor Midwinter has the same aspiration with regard to efficiency as Wendy Alexander. Would it be possible to get a reaction from ministers to the excellent paper that was produced by Nicholas Crafts at the Allander series of lectures, which provoked a deal of thought in my mind?

On the paper and AER, if we drill down within a given department and carry out an analysis, I would classify fewer targets as outcomes. I would shift a few into the outputs category. There are people with budgets who are looking to spend them, and that will happen. What is depressing about some of the targets is that specific measurable qualities and hard numbers are much more prevalent in outputs and organisational matters, and are very much less prevalent in outcomes. In fact, they are almost totally absent in outcomes, and they are totally absent in macro-outcomes. That makes Scotland look somewhat amateurish in the way we run our Government.

The Convener: Are there any points in the three contributions that have been made to which Arthur Midwinter wishes to respond?

Professor Midwinter: Yes. I have a response for each member.

Wendy Alexander raised the issue of where we put the time-series data. I have got the capital data

from the Executive, and the time-series data for total expenditure will fit into the draft report that I am working on. I will come back to you to suggest that the Executive might consider using "Building a Better Scotland: Spending Proposals 2003-06: What the money buys", which is the equivalent of the UK spending review document; all the data, which goes back about 40 years, is at the back of that document. The BABS document would be a suitable place, because that is the start of the process.

I should have a look at the paper by Professor Crafts in the light of what Jim Mather said and see where the efficiency arguments are.

Elaine Murray expressed a worry about the imbalance between finance and other departments. I suspect that the answer might be that finance allocates the block grant to local government and it has tended to say that education outcomes are a matter for the Education Department and so on. That is not a holistic approach. We and the Local Government and Transport Committee have hammered the objectives that the Finance and Central Services Department produces for two or three years, but it continues to use them. This time, it would be useful if we could nail the minister on how he uses them. It seems to me that they are just a statement to say, "We will fulfil our activities and deliver our policies". It has always been assumed that the subject committees should examine specific services that are provided by local government—the Local Government and Transport Committee examines the transport element of the budget, the Education Committee examines the schools element, and so on—but that does not work well in practice.

The Convener: The Finance Committee has repeatedly raised the point that the way in which the Executive has been held accountable for local government and health expenditure is not satisfactory either to us or to the relevant subject committees. There is an accountability deficit, which the Executive has recognised. We should pursue the Executive on that issue in some depth and detail. It is not for the Executive to tell local government in detail how to work; it seems to me that the Executive has a responsibility to set an accountability framework within which local government is expected to work, and a performance assessment framework. That applies to health, too, and we should pursue that issue explicitly with the minister.

Professor Midwinter: Between them, local government and health account for 60 to 70 per cent of the budget, so we must try to resolve the matter. Jim Mather's notion of macro-targets is probably similar to my idea of creating composite indices that could be used in same way as the

area deprivation index or the health needs index, in which we use several indicators to get one measure on which to make progress. There is a big gap in the document, in that we have a strategy but no strategic targets.

The Convener: Are members content with the process that is outlined in the paper? It will certainly inform our questioning of ministers. Does Professor Midwinter seek any further guidance from the committee?

Professor Midwinter: Not at this stage. I have started going round the other committees with the guidance—I have been to the Equal Opportunities Committee this morning and I will go to the Health Committee this afternoon—to ensure that they fully understand the issues on which we seek their feedback. I am quite happy with where we are just now.

The Convener: This has been a useful discussion, and the clerks can use it to work up an outline of questions for the minister for next week. Obviously, members will want to pursue their own lines of inquiry, and the discussion has given us a taster of the issues.

Professor Midwinter: Do we know whether the minister will present the time-series data next week? I know that they are close to being ready.

The Convener: We can ask whether that would be possible. The data would be useful to members, especially if we could have a copy of them in advance of any presentation so that we have an opportunity to assimilate the information.

I crave the committee's indulgence; as our witnesses are here for the agenda item on the School Education (Ministerial Powers and Independent Schools) (Scotland) Bill, do members agree to take item 5 before item 4?

Members indicated agreement.

School Education (Ministerial Powers and Independent Schools) (Scotland) Bill: Financial Memorandum

12:15

The Convener: Agenda item 5 is consideration of the School Education (Ministerial Powers and Independent Schools) (Scotland) Bill, which was introduced on 29 March by Peter Peacock. To assist us with our scrutiny of the bill's financial memorandum, we have with us two witnesses from Her Majesty's Inspectorate of Education: Graham Donaldson is senior chief inspector, and Stuart Robinson is head of corporate services. I welcome them both to the committee. We will take evidence on the bill from Executive witnesses next week. This is an opportunity for the committee to ask questions of the inspectorate. Do the witnesses want to make a brief opening statement?

Graham Donaldson (Her Majesty's Inspectorate of Education): No, I do not think so. We have provided the committee with some written comment in advance, and I am happy to answer questions.

The Convener: Okay. I invite members' questions on the financial memorandum.

Dr Murray: Your policy document mentions the fact that although the initial draft suggested that the bill would be cost neutral, most of the respondents to the consultation felt that it would not be. As a result, the administrative costs that are associated with the bill are now detailed in the financial memorandum. Can you explain how those figures were arrived at, given that the initial judgment was that there would be no on-costs? How did the revision of the costs come about?

Graham Donaldson: From the perspective of the inspectorate, two things are important in relation to the bill. First, we see the ministerial powers as a last resort; therefore, we regard their financial implication for us as likely to be minimal. Secondly, the process of inspection will not change as a result of the powers of intervention. The bill introduces a possible new end to a process that is already in being. Therefore, in looking at the financial implications of the bill, we are focusing on the extra piece of work that we might have to do to satisfy that final stage of the process. As I hope is clear in our paper, we anticipate that that work should be fairly minimal.

We are talking about an element that is to do with HMIE staff time, both for those who have been involved in the inspection and for more senior staff in undertaking any necessary additional work in going back to the authority or

the school that has been inspected to perform final checking out of the nature of any referral that we make to ministers. As you will see, the figures that we propose are very small in the context of the inspectorate's total budget. I anticipate that the costs would simply be absorbed within our normal working budget, to which we are not seeking any addition.

Initially, it was assumed that the bill would be cost neutral, but we have teased that out a little bit more for the benefit of the committee and we have shown what it would mean for the reallocation of resources internally in the inspectorate.

Dr Murray: I accept that the intention is that the ministerial powers should be used very sparingly, but I presume that there would be costs for local authorities if the powers were ever used. For example, costs might be involved if authorities were directed to provide a service that they were not providing. I presume that the Executive's view of those costs is that, as the authorities are funded to do that work anyhow, it is their failure if they do not meet their responsibilities and they should therefore find that money from within their own resources.

Graham Donaldson: Yes. As I said, it is part of an on-going process. As we go through the process of inspection, we make recommendations that are related to improving the quality of education for young people. The ministerial powers would be used only if there were serious concerns about what was happening in an individual school or authority in relation to the quality of education that young people were receiving. Therefore, the expenditure that an authority would have to engage in would be an expenditure that it should have engaged in anyway to provide the necessary education that it should provide for the youngsters.

Fergus Ewing: I have a question on the same topic. It concerns the point that is set out in paragraph 74 on page 25 of the explanatory notes, which relates to part 1 of the bill and the power of Scottish ministers to require action by schools or by education authorities. Paragraph 74 states the Executive's position, which I presume is your position:

"We do not associate any costs involved in implementing any action specified in a direction."

It goes on to state:

"Several authorities, in their responses to the consultation, identified potential implementation costs or costs associated with redistributing resources. We have examined this issue again and concluded that such costs would not be attributable to the Bill."

I presume that that relates to the point that was made by Dr Elaine Murray. If education authorities or schools have not done things that they should

have done, that has nothing to do with the passage of the bill; they should have been doing those things anyway.

The committee has to take a view about public finances as a whole. Could you share with us the view of local authorities? I do not think that we have heard from them individually about the scale of whatever extra costs they might envisage to be required. Did any of the respondents put figures on their concerns, or did they just highlight general concerns? I would welcome some amplification of local authorities' concerns—although I appreciate that you are not a spokesperson for local authorities.

Graham Donaldson: Nor am I a spokesperson for the Education Department—and I think that that line of questioning, about assumptions of costs to authorities, would be more appropriate for the department. That is not part of the inspectorate's direct engagement with the process.

Fergus Ewing: That is fair enough—I just wondered whether you could flag up any information for us, before we speak to the relevant Executive officials. We can put that question to them next week.

I want to ask about some of the assumptions underlying the relatively small extra costs that the financial memorandum contains. I refer to table 2 of the memorandum, at page 30. The additional costs for HMIE in years 1, 2 and 3 are described as between £18,000 and £27,000, between £8,500 and £10,500 and £5,500 respectively. My understanding is that those costs depend on assumptions about the number of establishments that need to be covered. You have given estimates of between four and six establishments in the first year of implementation, and you cite a cost per school of £5,500. How did you arrive at the number of schools that it is assumed would be affected by the bill if it becomes law?

Graham Donaldson: The additional registrations apply only to schools that now come under the scope of the registrar but which did not previously do so; that includes schools that have fewer than five pupils. At the moment, we have no engagement with places with less than five pupils, which are not defined as schools. The bill introduces the possibility of such establishments being brought within the registration process. The information that is available to us suggests that a very small number of schools that were not hitherto part of the process would be brought under the process in year 1, hence the range of four to six schools. It is hard to be sure but we are assuming that, thereafter, one additional school of fewer than five young people will be brought into the process per year. That is what underlies the costs that we have given the committee.

Jeremy Purvis: The fact that you are here is very welcome, Mr Donaldson. My constituency is Tweeddale, Ettrick and Lauderdale, which has had many excellent reports about its schools, although a number of reports have been made into the Scottish Borders education authority in recent years. If the improvements that have taken place had not been made, I would have thought that the inspectors might have needed to get involved, as the situation could have been one in which ministerial direction was required over the failure of a local authority to make improvements.

You say in your written submission that you anticipate that the powers would probably be used one or two years after the follow-up visits, should no improvements have been made. The timescale was much shorter in the case of the Borders, and your involvement was much deeper. If the powers in the bill are used, might that be done over a shorter period than is suggested, with greater or more in-depth involvement, which would mean that your costs could be considerably higher? Improvements had been made in the Borders, but if they had not been, we would have expected considerable costs to be incurred, and such costs have not been highlighted in the financial memorandum.

Graham Donaldson: Under the current procedures, engagement with the authority continues following an initial inspection, and that was the case in the Borders.

We have a network of district inspectors, each of whom has responsibility for two authorities. After any inspection that we undertake, there is engagement between the district inspector and the authority on the improvement process. The inspection strategy in which we are now engaged is different from the one described, which was the process of inspection with follow-up after one or two years. We are moving into a situation where the normal strategy will be one of continued engagement with a school or authority, where that is justified.

Once again, that is not an additional cost resulting from the bill; it is a reconfiguration of our inspection strategy, which has already taken place. It is part of the proportionate approach to inspection that now characterises the way in which we work. When I talk about the bill being the culmination of the process, it is the culmination of that process. It is correct that that could mean that engagement in particularly serious circumstances could occur much sooner than a year or two years after an inspection, but that would be the case anyway, and it will be the case, irrespective of whether the inspection culminates in a recommendation to the minister.

Mr Brocklebank: Paragraph 87 of the financial memorandum states:

"The cost of registering a school to HMIE is estimated to be £5500 based on a school of up to 30 pupils."

Does that cost fall on the school, or does it fall on the inspectorate?

Graham Donaldson: It falls on the inspectorate's budget. The figure is based on an additional inspection, which we estimate at £4,500, and a follow-up inspection about a year later, which we estimate at £1,000.

Mr Brocklebank: How does that relate to the figure of between £18,000 and £27,000?

Graham Donaldson: The £18,000 is four times £4,500. It does not include the follow-up, because there would be no follow-up inspection in the first year. The £18,000 is four times £4,500, and £27,000 is the cost of six inspections.

Mr Brocklebank: Paragraph 88 states:

"The additional costs for follow-up inspections in the second year on the same basis would be between £4000 and £6000."

Where did those figures come from? How do they relate to the figures that you have given us?

Graham Donaldson: If we inspected four additional schools in year 1, those four schools would be liable to follow-up in year 2. The £4,000 for four schools is £1,000 per school, which is the cost of the follow-up. It is the consequence of the additional schools. That additional money falls out of the process as we move to a situation—if it proves to be the case—of one additional school being registered, in which case there will be one additional inspection and one additional follow-up in each year, once we get beyond year 3.

The Convener: On behalf of the committee, I thank you for coming along and answering our questions. We will speak to the Executive officials next week.

Annual Report

12:28

The Convener: Agenda item 4 is consideration of the committee's annual report. Members have a copy of the draft report and the covering note. The format and length of annual reports are agreed by the Conveners Group, so that there is consistency across committees. Some statistics are to be added on the number of meetings and so on, but we wanted to put the draft report before the committee for agreement. Are members content for it to go forward as our report?

Jeremy Purvis: I have a small point on paragraph 7. On the inquiry into the relocation of public sector jobs, my recollection was that we reached a decision—in advance of receiving the petition—to take forward our work on relocation. We did not start the work in response to the petition; we actually absorbed the petition within our work.

The Convener: That is probably accurate.

In paragraph 2, we could highlight the fact that a substantial element of the committee's work is dealing with budgetary issues. Given the volume of work that we do, we should highlight that a main element of that work is dealing with the budget. Perhaps the report could be reformatted to take account of that.

With those changes, are members content with the report?

Members indicated agreement.

The Convener: The final item on our agenda is consideration of a draft report on the Tenements (Scotland) Bill, which will be taken in private.

12:29

Meeting continued in private until 12.39.

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