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Finance and Public Administration Committee

Tuesday 23 May 2023

Session 6

The Scottish Parliament
Pàrlamaid na h-Alba

Tuesday 23 May 2023

CONTENTS

FINANCE AND PUBLIC ADMINISTRATION COMMITTEE
15th Meeting 2023, Session 6

CONVENER

*John Mason (Glasgow Shettleston) (SNP)

DEPUTY CONVENER

*Michael Marra (North East Scotland) (Lab)

COMMITTEE MEMBERS

Keith Brown (Clackmannanshire and Dunblane) (SNP)
*Ross Greer (West Scotland) (Green)
*Douglas Lumsden (North East Scotland) (Con)
*Liz Smith (Mid Scotland and Fife) (Con)
*Michelle Thomson (Falkirk East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Antony Clark (Audit Scotland)
Professor John Connolly (Glasgow Caledonian University)
Alison Payne (Reform Scotland)

CLERK TO THE COMMITTEE

Joanne McNaughton

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Finance and Public Administration Committee

Tuesday 23 May 2023

[The Convener opened the meeting at 09:30]

Convener

The Deputy Convener (Michael Marra): Good morning, and welcome to the 15th meeting in 2023 of the Finance and Public Administration Committee. Apologies have been received from the committee's new member, Keith Brown, who attended our past couple of meetings as substitute. On behalf of the committee, I put on record our thanks to Kenneth Gibson for his hard work and the support that he has given to the committee in his role as convener over the past two years.

The first item on our agenda is to choose a new convener. Parliament has agreed that only members of the Scottish National Party are eligible for nomination as convener of the committee. I ask any member to make a nomination.

Michelle Thomson (Falkirk East) (SNP): I nominate John Mason.

John Mason was chosen as convener.

The Deputy Convener: We will do a little bit of shuffling, so that John can take the chair.

Public Service Reform Programme

09:31

The Convener (John Mason): I thank the committee for my appointment, and I look forward to continuing to work with you all. I also thank Michael Marra for stepping in to convene over the past few weeks as deputy convener. I hope that Kenneth Gibson will be able to rejoin us before too long.

Today, we start taking oral evidence on our inquiry into the Scottish Government's public service reform programme. We will hear from Antony Clark, executive director at Audit Scotland; Professor John Connolly, head of the department of social sciences at Glasgow Caledonian University; and Alison Payne, research director at Reform Scotland. We had also hoped to have Dave Moxham from the Scottish Trades Union Congress, but he is unable to be with us today. We may be able to get him here on a future occasion, and he has submitted evidence that we might refer to. I welcome you all to the meeting. We intend to allow about 90 minutes for the session. If witnesses would like to be brought into the discussion at any point, please indicate to the clerks or me and we will call you in. We have written submissions from you all, I think, so we will move straight to questions.

I will start by asking one or two questions. My first question is based on something that the previous Deputy First Minister John Swinney said. He said that he was very much leaving the idea of reform up to individual public bodies rather than trying to drive it from the centre. What are your thoughts on whether we can do that, whether we should do that or whether there needs to be at least some driving from the centre? Mr Clark, I will start with you.

Antony Clark (Audit Scotland): It is understandable that one would want to engage with public bodies to understand how reform could be implemented at local level, because reform needs to reflect local circumstances, the needs of communities and the different nature and configuration of public bodies. There is merit in having that local focus. Equally, however, it is important that there is a sense of purpose and clarity on what the Scottish Government is trying to achieve from its reform agenda. You will see from our submission that we have highlighted in previous audit reports that, often, it has been difficult to assess the success or otherwise of reform because there has been insufficient clarity on what the intended outcomes were. There is a need to strike a balance between local discretion and autonomy, and national leadership. At the

moment, it seems that there is more to be done to make clear what the intended outcomes of the reform agenda are, above and beyond the five key themes and principles that underpin the reform agenda. There is a question around clarity of outcomes that requires further work by the Scottish Government.

The Convener: Do you think that the Government needs to state outcomes? If so, what should they be? It has been suggested, for example, that staff numbers in certain areas would return to pre-Covid levels.

Antony Clark: I was not suggesting that there should be specific targets necessarily, if that is what you thought I was implying. One of the questions that you highlighted in the inquiry was this: what should underpin the Government's reform agenda? My starting point for that would, in many ways, go back to the Christie principles: high-quality public services that support prevention, improve outcomes and put citizens and services at the heart of the reform agenda. What needs to flow from that is clarity about what that means for structures, resource allocation and the future shape of public services. It is clear that the way in which public services are currently configured, delivered and resourced is probably not sustainable in the medium to long term. I think that that is widely accepted. What flows from that is that change is needed. My point is that greater clarity is needed about what that change will look like.

The Convener: Thank you.

Professor Connolly, do you think that there should be more central direction or more local autonomy?

Professor John Connolly (Glasgow Caledonian University): In my view, we need a new philosophy of how we look at public services and public service reform in Scotland. The idea of localism is important—I very much support localism—but there has to be some supported localism as well. At the central level, direction and capacity in the system remain important.

If we look at some of the issues or developments in the public sector in Scotland over the past decade and at initiatives such as the community empowerment agenda, we see very much a heavily localism-based initiative. The evidence suggests that community organisations, local government and community planning partnerships require national level support when it comes to evaluating their contribution towards outcomes that are often set nationally but require to be delivered locally. An overly localist empowerment-based model is not particularly desirable, although it is important to have localism. It is important that local stakeholders are able to understand their position in the wider public sector and that there is capacity at the partnership level in the system. If we think about the public sector in Scotland as a multilevel polity, there is central Government and a partnership at the national level and there is the local level. I would worry about a vacuum in the middle, so to speak. Localism has to be supported.

The Convener: We might come back to that and explore it a bit more.

Ms Payne, Reform Scotland's evidence is quite strong in pushing that decisions should be made at local levels. Could you comment on some of that?

Alison Payne (Reform Scotland): Definitely. Localism is really important. It is important that local circumstances and needs are taken into account and that local authorities and communities have the ability to react to their differing needs. It comes back, though, to what you mean by "reform". Looking through previous evidence, I see that there was a feeling that reform was basically about trying to ensure that our public services could live within their means; it was about trying to react to declining budgets. We argue that that is not real reform. We need public service reform and partnership working between local authorities, local bodies and central Government on how we radically change public service delivery. How do we meet the challenges of our changing demographics and the amount of revenue that we raise? That needs a collaborative approach so that we can have centrally set objectives and outcomes for what we want to deliver but with local discretion in the delivery and how those are met.

For example, the national care service very much takes away from local authorities. There needs to be more asking "What are we trying to achieve? What is it going to do?" It is not just about cutting budgets and costs; it is about improving delivery and efficiency and ensuring better outcomes for all. There needs to be more of a collaborative discussion at the start, looking at the longer term, about what goals we want to achieve and how we want to reorganise our services. We should then look at how that can be delivered in the different areas of Scotland.

The Convener: Yes. On improving efficiency, in one sense, if the budget is limited and councils and health boards have to work within a restricted budget, does that not force efficiency?

Alison Payne: Yes, but efficiencies are not necessarily reform. If you are just trying to cut your cloth accordingly, that will not necessarily give you the reform that you require. Christie highlighted the importance of early intervention, and I am not sure that we have taken that on. In areas such as

the national health service, where are the early intervention programmes? Yes, we have to deal with the firefighting and the costs and the pre-Covid and post-Covid problems with the increasing waiting lists, but those will only get worse unless we start to look at early intervention programmes. How can we look at services so that we can start delivering preventative programmes? How can we work with others so that we can change how things operate?

We have changing demographics and, in revenue terms, we will have challenges with a shrinking working-age population, so we cannot just fiddle around with our income tax levels. There are challenges in the future and, having looked through the committee's previous discussions, I think that we need to have the discussion about longer-term reform. What we can do now, as well as dealing with the immediate revenue challenges, is look at the longer term and how we can fix things now so that, in another 12 years, we are not still having this conversation and saying, "We really need to do Christie."

Antony Clark: I want to build on some of the points that Ms Payne has made. Some of the big challenges facing Scotland, such as child poverty, climate change and addressing inequalities, are not things that can be dealt with by individual public bodies. One of the dangers of asking public bodies to focus on their own budgets is that it might force people to look at things that will work for them but will not address the complex, cross-cutting issues that are the real long-term challenges facing Scotland. That forces you to think about how to make reform a cross-public sector agenda rather than something that is focused on by a council, a health board or a fire and rescue service. From that flow things that you have heard from witnesses in previous evidence sessions: questions about how the accountability arrangements work, what people are rewarded for and how they are incentivised to make change and reform. That is about not just reducing budgets but improving public services. We have heard people talk about disobeying boundaries and that being a key driver for delivering Christie. Disobeying boundaries means looking beyond your individual organisation, yet one of the drivers of the current reform agenda is about individual public bodies doing what is right for them.

I am not saying that it is entirely wrong to ask public bodies to balance their books. I am an auditor. I want public bodies to balance their books, and I want money to be spent properly. My point is that there is a broader, cross-cutting issue that requires thought as part of the reform agenda.

The Convener: I was coming to you next anyway, Professor Connolly—Mr Clark has led me to where I was going anyway—because I read your paper on the co-production of health and social care services, which was interesting. A lot has been mentioned that we will explore later, as we go along—we are scene setting today—but, on the specific issue, perhaps individual organisations will be efficient if we press their budget, but would they work with other organisations? Health and social care is an example but, without central pressure, would organisations look at more joint working and co-production?

Professor Connolly: The health and social care partnerships that I have worked and researched with indicate to me that they are happy to collaborate across boundaries. It is about having the opportunities to do so. Individuals in the health and social care workforce are often constrained in their capacity, and, in many ways, that gives more reason to have overseeing leadership to allow for collaboration across boundaries.

The Convener: By "opportunities for collaboration", do you mean time or being allowed to do it?

Professor Connolly: Time, space, infrastructure and having the leadership in place to allow that. If we think about the nature of the modern public sector, we see that there is more of a requirement than ever to work together, because social problems have so many dimensions that require joined-up approaches to governance. The history of public administration scholarship indicates that it is difficult to get joined-up services right. It requires interdisciplinarity, working across professional boundaries and leadership in that space. When you mentioned what John Swinney said, it raised alarm bells in my mind about what that would mean for collaboration across boundaries, because that is becoming increasingly important in the modern world.

Structures are important. Localism is important. The two things can be true at the same time. It is important to get that balance by making sure that there are networks in the system and people skilled in collaboration in the public sector. We often assume that leadership skill sets are just there in the public sector to allow for that. That might be the case, but when have we ever done a skills audit? When have we looked at the workforce and asked, "To what extent are there opportunities to develop public service leaders in that way?" For the long term, we might want to think about building the capacity of individual professions in the system to allow for leadership across boundaries. That is becoming ever more important.

09:45

The Convener: I feel that we are getting more questions than answers here. Ms Payne, do you want to come in on the collaboration idea?

Alison Payne: Yes. It is important that collaboration be from the bottom up. There have been examples of where local authorities have worked together, but it has to be the case that they come together rather than be forced to collaborate. There is also a danger of collaboration and integration being almost a kind of golden bullet. We are on to our fourth attempt at integrating health and social care. We cannot simply say that we will push things together. We have proved with health and social care that that does not always work. It is about enabling people and, as has been said, taking a collaborative approach from the bottom up, where shared circumstances and shared needs can be worked on together. Forcing collaboration through a top-down approach is not the way to go.

The Convener: Thank you. Those are all my questions for now. I should have said at the beginning that you do not need to touch your microphone, your buttons or any of those things. That will all be done for you.

Ross Greer (West Scotland) (Green): I am interested in some of the comments in the Audit Scotland paper, Antony, and in one particular line, which states that, given the trajectory that our public finances will be on over the next couple of years, small savings will not be enough. If I can reword that slightly, is it Audit Scotland's position that, at present, the Scottish Government is overcommitted and will have to cut back on or cease entire areas of service provision, that it cannot just trim and reform each service to be more efficient, and that more drastic decisions than that will be required?

Antony Clark: I would not use the words that you have used, Mr Greer, but it seems clear to us that some fundamental questions need to be asked about the nature of the offer and about what public services can deliver in the current context of increasing demand, fiscal pressures, demographics, the challenges of child poverty and deprivation that Scotland faced pre-pandemic, and creating a sustainable economic base for Scotland.

To try to answer your question, I will say that it feels to us as though we need to think hard about the nature of public services in that context. It seems to flow from that that current models certainly need questioning. The way in which we currently provide health services reflects the post-second world war settlement. The nature of disease is changing. Although we have seen progress in Scotland, the challenges around child poverty are much greater now than perhaps they have been for many years. A first-principles conversation is therefore needed on what public services are here to do, what they should look like, who should provide them and, importantly, what role communities should play. You heard that message from Professor James Mitchell when he came to speak to the committee. The ambitions of the Christie commission and the Community Empowerment (Scotland) Act 2015 to bring community capacity into play in public services and to improve outcomes for communities feel underdeveloped. The legislation is not delivering the ambitions that we had hoped for when it was passed. Yes, there is a big question to ask about what we can deliver in the current financial context, if that answers your question, Mr Greer.

Ross Greer: It does, yes. Thanks. I will ask the other witnesses what is essentially the same question. Has the Scottish Government overcommitted relative to the financial resources that will realistically be available for the next couple of years?

Alison Payne: In the longer term, the demographic challenge will be that we have a shrinking working-age population, so we need to look at how we properly reform public services and manage revenue for an older population. In many ways, you could say that the NHS is a victim of its own success. We are living longer, but, as we live longer, there are more demands. We need to talk about how we meet those demands. Looking to the longer term, I think that it is important to start to have those conversations now so that we can talk about how we pay for social care. How do we pool our resources and pay for the things that will have increasing demands placed on them?

Ross Greer: The Reform Scotland submission is quite interesting. It brings up a lot of points that this committee and others will be familiar with, particularly about the NHS and the need to move away from treating illness towards the prevention of illness. Particularly given the financial powers that are available to the Scottish Government and the limitations on its borrowing powers, if we were to allocate new resources for prevention, they would need to come from somewhere else. At the moment, there is no additional money, and we cannot take out a loan to do that. Does Reform Scotland have areas that it proposes cutting from? Not to put you on the spot, but everybody comes to Parliament saying that we need to spend more money on X, including prevention, which makes complete sense. It is much harder to get folk to propose where the money will come from.

Alison Payne: There are some different options. One that we have talked about is to look at on-going care costs. We have said that, if we were to temporarily increase income tax, we could

start reforming social care now, look at developing the proper care needs that were identified in the Feeley review and have a proper social system for the elderly. At the same time, we could set up a cross-party commission, with that collaborative approach that others have spoken about across parties to look at how, with the demographic challenges and all the other challenges that we are facing, we ensure that we have a proper care system that can look after people when they are older. You are right: if we want to deal with the firefighting and start introducing reform and early intervention, it will cost money. Proper reform and early intervention can save money in the longer term, but there will be up-front costs. It is about being honest about that. That is one way that we could increase revenue in the short term.

Another area that we mention in the paper, where there are ways and means that we can look at, is tuition fees. There have clearly been cuts to the college and further education budgets, so we have said that we would like to look at how tuition fees are managed. Is there a way of introducing a graduate cap and developing systems where we could still offer free tuition if people with certain skills stayed and worked in Scotland for a certain period of time and develop different ideas. Instead of trying to score points off everybody, if we are being honest and look across the piece, we cannot just fiddle around with income tax and say that, if we put up a whole load of new taxes on income, we will suddenly be able to pay for everything, because we will not. There needs to be honesty with the public where we say, “These are the challenges. Do you want an NHS that is going to meet its centenary? Do you still want to have all these services? If so, how are we going to pay for them?” There is a mixture of short-term and longer-term decisions to take on how we do that.

Ross Greer: You are absolutely right. There is a limit to how much we can realistically raise from income tax. We are not there yet, but we are pretty close: there is not much more that can be raised from that tax. Last December, the STUC published a separate tax paper that included income tax proposals and proposals for new local taxes and reforms of non-domestic rates. Reform Scotland’s paper for this meeting is more sceptical about whether the problem can be solved simply by raising more revenue. I am interested to hear your thoughts on the STUC’s proposal, which is essentially that we do not need to cut services and that we have revenue-raising options that we have not yet explored.

Alison Payne: It is not in our submission, but we have published a report entitled “Taxing Times: Why Scotland needs new, more and better taxes”, which talks about similar points. We have tax-raising powers that we have not used; we could look at tax-raising powers through wealth taxes—in particular, immobile wealth taxes. There are other things that you could do, but there is no magic bullet.

The question is why the money is being raised. Do you want to raise money so that you can implement proper reform rather than things just carrying on as they are? We have to be honest and say that more money is not the solution to the problems that are facing our public services. Raising more money to enable proper reform is different; that is something that we agree with. You could consider how we could raise revenue to enable proper and effective reform that includes early intervention and the radical issues that the Christie commission wanted to deal with. We agree with a lot of that. However, we do not agree with the approach of raising money simply to try to maintain the current situation and keeping our heads in the sand.

Ross Greer: John Connolly should feel free to comment on anything that I have asked about. I am conscious of time, but I am interested to hear your thoughts on the balance between quality, consultation and co-design in a reform process, and on how swiftly we will be able to deliver reform. We are often simultaneously met with complaints that there has not been enough consultation and co-design and complaints that the speed of reform in Scotland is glacial. In fact, the word “glacial” is used in the Reform Scotland paper. There is clearly tension between those two things. Good-quality consultation and co-design, particularly in relation to the sustainability of our public finances, takes longer. However, we do not have as long as we might want. How might we balance those competing demands?

Professor Connolly: That is a fair question. There are competing demands, but there have perhaps been missed opportunities to get this right. Sometimes, you have to put up with a little bit of delay in order to achieve the vision and the systems that fall into place behind it. It is worth taking the time to get things right, rather than doing them on a more reactionary, ad hoc basis. There are tensions. I recognise that, but the benefits of doing things properly outweigh the costs.

I will go back to the point about efficiencies. I look at public sector reform and governance issues in relation to public value. How do we know what is working, and working well? Can we embed social return on investment methodologies into how we set up our programmes and services? Is it possible to think about how we better evaluate what we do? In the early years of the SNP Administration, there was far more focus on evaluation. That has petered away, for whatever reason. There is now an opportunity to think carefully about how we equip public servants, and

those whom they work with in wider civil society, to evaluate better what works.

We have probably all heard about the What Works centres and the different ways in which research tries to get into policy, but more attention could be paid to that. Efficiency is important, but we have to understand what we have to be efficient about and how to go about it. To me, that is a call for better evaluation.

Ross Greer: Thanks very much. I am conscious of time, convener.

The Convener: You are okay.

Ross Greer: Grand.

On better evaluation, whose role should that be? To go back to the convener's original line of questioning, should reform take place within each public body or should it be led from the centre with some elements of evaluation, or is it more appropriate to have it take place externally through independent review? If we are trying to coalesce and take a consistent strategic direction in evaluation, collection of good-quality data and so on, who should lead that? Should we leave it up to each body or local authority to evaluate its service provision, or should evaluation be centralised and delivered in a consistent manner?

Professor Connolly: Evaluation must be built into national agencies so that there is capacity to develop and train people locally to do things better. Lots of assumptions are made about public servants who work locally having the skills and capacity to evaluate effectively. That requires some national training. In the past we used to have, at United Kingdom level, the National School of Government. Could Scotland have a similar academy for public servants to equip them better to evaluate in a collaborative way what they do and the services that they provide? I believe that evaluation is not the responsibility of one part of the system. It needs some oversight, but in the running of programmes at local government or NHS board level, there should be the skills to evaluate performance in what is being done. That is a bit different from performance management and performance measurement; it is about thinking about the outcomes that you are trying to achieve.

To be fair, the Government has, over the years, talked about outcomes at a broader level through the national performance framework and so on, but the capacity to evaluate against outcomes has been missing. I hope that that answer some of the question.

Ross Greer: Thanks very much.

Antony Clark: As Professor Connolly said, evaluation clearly has to operate at national, regional and local levels. One needs to be clear about what one is trying to achieve at national level, but success at national level might look quite different from success at local level. One of the challenges around the reform agenda, and in public service performance more generally, is in making links between what is happening at local level and performance at regional and national levels. The contribution effect is often quite difficult.

I have a great deal of sympathy for the Scottish Government in respect of the challenges that it faces in understanding how well reform is operating at the various tiers of governance. It is really important to get it right: it is more important now than ever, given the pressure on the public purse. Audit Scotland has been critical, as you know, of aspects of Government reform where the intended outcome has not been clear. Our recent NHS overview report highlighted the need for greater clarity about what success looks like in getting the NHS back on track, post-Covid. The issue in the NHS is replicated in other bits of government, so it is an area in which further progress is needed.

10:00

The Convener: If we have time at the end, we will give people a chance to come back in.

Douglas Lumsden (North East Scotland) (Con): From reading the submissions and from what I have heard today, I have picked up that there is no clarity, that the pace needs to increase, that there are no targets, that there is no evaluation, that there is no real focus on prevention and intervention, and that there is an implementation gap between policy and delivery. How can the Scottish Government get the reform agenda back on track? What you have said seems to be quite damning so far. Professor Connolly, will you go first?

Professor Connolly: It is fair to say that there are some systemic issues, which you have summarised really well. There is now an opportunity. This is a really good example of collaboration, here today, where we are hearing the voices of various civil society organisations that have something to say about the agenda. There could, for example, be a better interface between the Scottish Government and the wider academic community. A plethora of research is available in Scotland about how to do things better, how to evaluate public services and how to lead public service organisations; there is a lot of material and knowledge out there that could be taken more advantage of.

It is not just about central Government; there are ways in which public sector bodies can come together, talk more and collaborate more. Again,

the third sector should be involved. There needs to be almost a complete reframing of the opportunities for various knowledge actors to come together to get it right, as I have said. Ross Greer made a good point about the tensions around time and delivery, but if the Government is keen to find a new way of doing public services, now is the time to get it right. It has the space to do that.

Antony Clark: Clearly, there were weaknesses in the impact of the reform agenda in the past; they have been well rehearsed and well reported. Ten years on from Christie, the commentary around the fact that we have not really delivered on the prevention agenda and improved outcomes is well accepted.

There are also some positives for us to think about. During the Covid-19 pandemic, we saw incredible collaborative working between the NHS, local government and communities, and the relationship between central Government and local government really focused on trying to improve and protect communities, health and jobs. Things happened during the Covid-19 pandemic that, frankly, would previously have been unimaginable. People implemented changes in the space of a fortnight that would previously have taken years to come about, or perhaps would never even have happened.

I am not for a minute suggesting that we should revert back to pandemic approaches, but we should ask ourselves how that was possible and what it told us. It told us that, where there is a shared desire to focus on and deliver improvements, public bodies can do that, and communities can be part of it. The question that is really important right now is this: how do we continue with that focus, collaborative leadership, energy and dynamism at a time when there is no single unifying focus? The history of the period prior to the pandemic, in terms of the Christie report, was that we did not see that level of focus. The question that we should explore together and reflect on is how we get that energy back into the system.

Douglas Lumsden: Why, do you think, did that happen? Was there more money in the system and people were not too protective of budgets? Was there more of an appetite to take some risks than there had been before?

Antony Clark: I do not think that money was the driver, if I am being honest. People recognised that there was a burning platform for change. People accepted that there was stuff that they needed to do together and, in that context, they took more risks. People made changes; they did things perhaps at pace, perhaps with slightly reduced governance and perhaps with slightly elevated risk appetites. We need to pause, take a breath, take stock and ask how we get the balance right between that level of energy and change, and having a bit more rigour, structure and clarity of purpose. How do we draw in those things?

Douglas Lumsden: Ms Payne, do you want to add to that?

Alison Payne: A twin approach is needed: there is what needs to happen now and there is the longer term. Reflecting on the Covid period, I note that there was great honesty with the public that we needed to make difficult decisions. We worked with the public. There was an ongoing dialogue about things such as how minor ailment services were expanded in the NHS. NHS Near Me, for example, was developed very quickly. There was public buy-in and an appreciation of what was going on. There was honesty with the public: Government said “There are some difficult decisions. We’re trying to do this, and we’re taking you with us.” There was a kind of collaborative approach between the public, public services and politicians, rather than people saying, “This is why nothing is happening. If only we had a bit more money,” and taking the approach that, irrespective of whose fault it was that there was not more money, more money was still the magic answer. We have gone back to perpetuating the myth that the answer is that, somehow, somebody else’s different policy will give us more money and will fix things.

We need to be honest and ask what we will do if we are looking to the long term, and how we want to reform. In the First Minister’s election campaign, he committed to the British Medical Association’s national conversation about the future of the NHS. He has not commented on that since becoming First Minister, but it is an important conversation that the BMA has called for. Other organisations are also asking how we can reform the NHS.

There has to be an honest conversation about the fact that reform does not mean a choice between public and private—there is so much more depth in that conversation. If healthcare is taxpayer-funded, it must be rationalised, but what needs to be localised, what needs to be centralised, and what is a specialist service? So many important conversations need to be had, and they need to include the public. We need to ask, for example, whether we need orthopaedics to be done in all locales or should we have specialist hospitals. The fact that more people are going private shows that they are willing to travel further. Is there an opportunity there? Why are we not having that conversation?

It needs to be realised and said that we are going to start those conversations now—that we will not have a better NHS by Christmas or by the next Scottish election but are having the conversations now so that our NHS is still there in

10, 15 or 20 years. The NHS is just one topic; we need to have those conversations about all the other public services. We need to talk with the honesty that we talked with during the Covid pandemic, when we said, "Oh my God! This is a shock to the system. How do we address it? How do we deal with it? How do we work together?" John Swinney previously told the committee that

"making Christie a reality requires a collective national endeavour."—[*Official Report, Finance and Public Administration Committee*, 30 November 2021; c 3.]

Looking to the long term, we need that collective national endeavour so that, if we want reform, we have those honest but difficult discussions. This is the thing: we cannot pretend that there are no difficult decisions.

Douglas Lumsden: Why do you think we do not do that now? Is it because there are too many political red lines that people will not go near? I am thinking of things like tuition fees, which you mentioned earlier.

Alison Payne: Yes, totally. So often the political dialogue on NHS reform is about what is public and what is private, despite the fact that the vast majority of the public's first and only interactions with the NHS are with a private sector contractor, whether that be their general practitioner or their pharmacist. In fact, where there has been expansion in recent years is through pharmacies being private sector contractors—yet the political dialogue often suggests that reform means public or private. You can actually be honest with people. The biggest response that we get whenever we have done anything about the NHS or GPs is, "You want to privatise GPs." We tell them that that is not the case because they are already private sector contractors.

If people do not have a general understanding of how a public service works to begin with, how can you bring them with you when you bring in reform? Honesty and a collaborative approach are needed in asking what the red lines are and in having a national discussion about them. Is the red line that we want to maintain around the service being free at the point of use? If so, how do we make sure that that survives?

Those important conversations need to be had, rather than our working to the timescale of an election. I say that, but I sit at this side of the desk. I realise that there are difficulties in that, but that is why we have talked about politicians' collaborative approach to things such as the future of social care. If parties work together and there is political consensus around a problem and the need for a long-term solution, that helps to create buy-in from the public.

Douglas Lumsden: I will stick with Ms Payne for a moment. You mentioned that there should be localism, on which we have heard a couple of things. We were expecting some sort of blueprint for public sector reform to come from the former Cabinet Secretary for Finance and the Economy. The former Deputy First Minister then said, "We will leave it to the organisations—to each local authority or whatever. We will give them five themes and they can go and do their own thing". Which way will it work?

Alison Payne: There is a difference between local and central solutions. Local solutions are really important, but we also need to reflect the fact that a great local solution that works in one area will not necessarily work in another area. Centrally, it is important to accept that there will be differences across the country. If one local authority chooses to do something and central Government tries to intervene by saying, "You can't do that," or, "You can't do this," it makes a mockery of localism and having different solutions that have an impact on different areas.

There is definitely room for local solutions. My concern is that public service reform is spoken about just as a way to deliver efficiencies to address our budget constraints. If it is just about efficiencies, I do not believe that that is reform; it is simply about dealing with budget constraints.

Douglas Lumsden: The question is whether it is true reform or salami slicing for all the different organisations.

Does Professor Connolly have anything to add?

Professor Connolly: I was thinking about your reference to the former Deputy First Minister's comments on localism. The instinct about localism is right and important, but it has dangers. As Antony Clark said, excellent innovations happened during the Covid pandemic, but there were also issues—for example, the Government basically admitted that it did not understand the health and social care system sufficiently to provide a response to the challenges that it faced.

At a day-to-day level, it is all fine and well to say that localism and devolving responsibility are fine, but what if something goes wrong? What if intelligence is needed to put in place adequate crisis management measures? Could the Government become a bit of a hostage to fortune because of an overly devolved approach and not having the local knowledge to make national-level policy decisions?

Although localism is important and I would argue for it, it has dangers, too. The balanced approach that we spoke about is required; otherwise, when the next pandemic comes along, how will you know that you have the tools and knowledge to put in place an adequate response?

Douglas Lumsden: Does Mr Clark have anything to add? I will ask one last thing, if that is okay, convener. We heard about a local governance review, but the Scottish Government seems to have gone quiet on that. It is meant to be coming back, but we have not seen it. I would have thought that that would be part of the key reforms.

Antony Clark: We are clear that the local governance review has great promise for supporting change and innovation and for balancing the national and local dynamic to allow local government and its partners to respond to local circumstances and give them more power to make the changes that they want to make to their services, in collaboration with others. You will have heard complaints from councils that they sometimes feel as though change and policy are imposed on them by the Scottish Government. The new deal for local government is about striking a balance between local and national choices in policy making.

I will make a quick point on the previous question. We are all committed to localism, community engagement and communities having a big part to play as part of the reform agenda, but we need to acknowledge that there are tensions, too. The postcode lottery question—people wanting consistent services—is a tension in the localism agenda. There is tension between the localism agenda and the quite understandable expectation of consistency of services across Scotland. We just have to live with that. To borrow Alison Payne's phrase, we need a bit of honesty about where the balance lies between national standards for services and local discretion. That feels like quite an important issue that the Scottish Parliament, the Scottish Government and their partners have been wrestling with for some time.

To return to your question, the new deal feels important, as it could give councils and their partners more powers and discretion to deliver local responses to local challenges. We are quite excited by it and local government is very excited by it.

Douglas Lumsden: Should that be part of the reform that we are discussing?

Antony Clark: Yes—it should. It is difficult to see the reform being delivered effectively without the new deal forming part of its architecture or superstructure.

10:15

Michael Marra (North East Scotland) (Lab): I am hearing what is pretty welcome consensus among all of you—it was also in the submissions that we received—about a need for urgency. You have all described similar drivers for why that should happen. So far, I am hearing a pretty comprehensive rejection of the previous Deputy First Minister's approach of saying, "We can just let folk get on with this." There is recognition that there needs to be some kind of intent. I ask all of you why that is not happening and has not happened.

Antony Clark: That question is probably better put to the Scottish Government than to the panel members.

Michael Marra: I reject that slightly, because it feels to me that the nub of the question is this: what do you identify as being the restrictions that are preventing that from happening?

Antony Clark: I am sorry—I was not trying to evade your question. I will answer, but I was just making the point that the Scottish Government is better placed than I am to give you its rationale for where it is at.

To be fair to the Scottish Government, it takes time to work out what you are trying to do. I see some of the statements that have been made as statements of intent on the principles that might underpin the reform agenda. In the relatively short term, we hope and expect to see a more worked-up plan, with a bit more specificity about what the reform agenda might look like for reshaping and remodelling public services; about plans and strategies for engaging communities in the change agenda; and about what success might look like, including measures of success. I am talking not necessarily about specific performance indicators but about something that one can at least look to and use to measure progress on improving public services. I hope that that will come in the medium term.

Michael Marra: Are there any other comments? On the timeframe, it is 12 years since the Christie report was published. What I am trying to get to is whether there is a character to our politics, our public services and the way in which we do things in Scotland that is stopping change.

Professor Connolly: A significant amount of time has passed since the Christie report was published. It is a question of priorities and of a lack of strategic grip on the issue. There has perhaps not been enough capacity centrally in the Government to work across boundaries to get the approach right.

If we are to have a new public services model for Scotland, there have been opportunities to think carefully about it. There were a number of developments about five years ago, or a bit longer, on the integration of health and social care, with a link to the empowerment agenda. That built on the national performance framework, but a lot of the style of policy making was quite path dependent rather than being about pausing to think, "Okay—

let us get this right." Perhaps there has been a degree of policy distraction on other issues—maybe constitutional matters could have been invested in more in thinking about how Scotland works and how it could be more effective as its own polity. There are a number of political reasons for the situation, but there are also a number of institutional reasons.

To be fair to the Government, there has perhaps been an idea since the early days that performance indicators are the way forward and that we need to hold local government and agencies to account through such indicators. However, indicators tell us little about what works and about how to do things better. There has perhaps been a slightly misguided way of thinking about how to improve things. I keep banging the drum on evaluation, but that is important for understanding how to do things better. There has been a lack of investment in that.

Michael Marra: In the paper that you produced in 2020, you stated:

"what differentiates Scotland is the acute level of policy focus upon constitutional matters … leading to 'policy distraction'".

Can you unpack that a little for us? Is that just bandwidth, or is it something more structural?

Professor Connolly: I think that it is bandwidth. There is the structure in Scotland to do things better. I did write what you quoted, and I do believe it. When it comes to a vision for government, choices have to be made about whether you want to make sure that Scotland has the best public service—one that is fit for the purpose of the modern economy. If there is that degree of distraction centrally on wider constitutional matters, there is always an opportunity cost. That is the reality of any public policy. Is that the overriding factor? No. Is it a factor? Yes, I think that it is.

My view is that it is about the infrastructure in Scotland and the leadership to try to get this right. As I said, there have been some well-intentioned approaches through the national performance framework and the Christie commission, which were all very important in getting us to think about outcomes and the social problems of our time, but the architecture just has not been there. That is key.

Alison Payne: On the issue about honesty with the public, the electoral timetable simply means that politicians, by their nature, do not want to say, "Well, maybe that hospital ward might need to close. Maybe you won't be able to get your hip replacement just down the road. You'd be better travelling a couple of hundred miles." They do not want to have to justify such decisions, but there is a load of difficult decisions to take. To be fair to the Scottish Government, since the Christie commission, I do not think that any great public service reforms have been set out in any of the manifestos.

]**Michael Marra:** Can I challenge you a little bit on that? The approach taken in Scotland to closing the attainment gap, for example, was to ring fence a certain amount of money to go into pupil equity funds rather than change the way that things were delivered. Where the approach worked, in the areas that the former First Minister went to study in London and New York, there was a significant policy change and a change in the way that public services were organised. She rejected that and went for a cash injection. Other places perhaps have more of an appetite for reform. Why was that choice made here?

Alison Payne: I do not think that it is anything to do with Scots or our inability to take on reform. As Professor Connolly said, other issues have perhaps been dominating our discourse. We have been talking about not just the constitution but Brexit. Public sector reform involves looking at every public sector area over the longer term. That is an awful lot of discussion to have.

You cannot do everything all at once. It would not exactly be a great manifesto pledge to say that, in 15 years' time, we will have an excellent NHS, but that is the kind of discussion that we need to have, with a twin-track approach. Perhaps the committees of the Parliament could have a greater role in that collaborative approach. They could help to push the discussion by asking, "How do we pick up the reforms that have been put in place elsewhere? What can we learn? What would work? What would not work?"

There is plenty of discussion going on outside politics—as I said, the BMA has called for a national conversation—and people are crying out for a discussion on reform. There needs to be buy-in from others and an understanding that there will be winners and losers and that, whatever the reform is, some people will not like parts of it. We need to be honest and say, "If we want to protect this service or close the attainment gap, you might not like this, but let's try it."

In relation to the attainment gap and how we deliver education in our schools, we need to accept that what works in an inner-city school will be different from what works in a school in a rural area, and that that is okay, because there is democratic accountability through our local authorities. If local authorities choose to do something different, that is okay because, if local people do not like it, they can vote out those local politicians. However, we need to be okay with saying that.

That has not been the case in some of the discussions that we have heard, such as on workplace parking. On that issue, the debate in the Scottish Parliament should have involved people saying, "If everybody likes localism, just leave it to the local authorities." It should be up to each local authority, because what is decided on workplace parking in inner-city Glasgow will, of course, be different from what is decided in Moray. That is okay. It is okay to be different across Scotland. We are a very disparate nation and have huge differences in population. The demographic challenges that we have spoken about will be wildly different across Scotland. We need different solutions, so collaboration is required on what is needed in different areas.

Antony Clark: I am sorry—I misunderstood your earlier question, Mr Marra. I answered the question on the current reform proposals rather than the Christie question. If you are asking me why, 10 years on, we have not delivered Christie, it is partly because we were not clear what we meant by "delivering Christie". We did not specify what success in that regard would look like at national and local levels in relation to improved outcomes, different models of public service delivery and so on. Therefore, we tried to overlay Christie on a set of existing policies, priorities, governance arrangements and funding models. That meant that it got diffused and dissipated and became something that operated in the background. People could say, "I am doing Christie." Well, what did they mean by "doing Christie"? It became a convenient shorthand for whatever anybody wanted it to mean.

Michael Marra: I want to push you a little bit on what you said earlier about innovation in our response to Covid. One issue related to the availability of methadone for people with drug and substance addictions. They could take it home rather than having to attend a chemist, and that became far more widespread. Part of my worry about that policy is its elasticity, because things have bounced back. Is there a reason why our system has pulled back from such innovations and is now saying that, in fact, we want to retreat back to the norm?

Antony Clark: I suspect that there are many reasons why that happened. At the height of the pandemic, people spoke about "build back better" being the ambition and using the pandemic as a learning opportunity to do things differently. Not just in that policy area but in others, people are reverting back to the way that things were done previously. There are probably many reasons why that has happened. It is probably human nature; old habits die hard. In response to Mr Lumsden's question, we talked about the risk appetite. People's risk appetite is reducing now. Quite a lot of factors are probably at play; I am not sure that I could specify a single one.

Michael Marra: You get what I am trying to push at, though, about the structural issues.

Antony Clark: Yes.

Michael Marra: My final question is about your sense of those fundamental blockages. I agree with Alison Payne; I do not think that Scots are averse to reform and change. There is absolutely nothing in our national character or the way that we do things to suggest that; it is something in our politics and structures. Is there anything that is changing those blockages at the moment, or is there potential for change? You have talked about increasing demand, but is there something to give us some hope that there might be a change in the political and structural set-up?

Alison Payne: We are all very hopeful—perhaps it is the fact that there is a new Administration. I go back to Antony Clark's comment about asking the committee questions. Is there a hope that politicians can work together more? Is there hope for more collaboration? Rather than everybody being in one camp or another, it is about recognising that just because someone has one view on one political issue does not mean that they might not have something to contribute in another area. There are areas of agreement and disagreement, and just because there is disagreement in one area does not mean that the other person is the worst person on the earth and is not worth listening to. It is about trying to be more collaborative, having those discussions as a nation and being willing to work together, listen to one another and move forward. If we all start from the position of wanting to preserve and maintain our public services, we are all starting from the same position. It is about how we get to the end goal.

Antony Clark: I am cautious about being too optimistic because I am an auditor, and prudence is a basic accounting concept. However, I increasingly observe public bodies talking about what they need to do together, not what they need to do themselves. There is a recognition that, although efficiency is not the whole story, if we are to drive efficiencies, that is best done by people looking across the system and taking a systems view. I am cautiously optimistic about that.

Michael Marra: Professor Connolly is nodding at that point.

Professor Connolly: Cautious optimism is correct. I do a lot of work with health and social care partnerships through my research to try to understand some of the systemic issues in the system. When I speak to chief officers and those who work underneath them, there is a real appetite to do things differently in order to benefit

communities and make life better for people. There is strong optimism in the system.

As Alison Payne said, perhaps there is a need to front up nationally and say, "Do you know what? We're going to try some new things. We're going to pilot and experiment, and we're going to allow for intelligent failure, potentially, and make sure that we learn the lessons from that." The only way in which we can build innovation into the system is by trying new things. That is perhaps missing from the agenda at the moment.

10:30

Liz Smith (Mid Scotland and Fife) (Con): Ms Payne, I take you back to one of your first answers this morning, in which you said that efficiencies do not equal reform. I entirely agree. I want to put that in the context of what the Scottish Fiscal Commission has forecast in its "Fiscal Sustainability Report", which I have in front of me. It says that health spending will increase from

"35 per cent of devolved spending in 2027-28 to 50 per cent in 2072-73."

It projects that there will be little decline in spending on social care and social security. That is pretty grim from the point of view of the money that we need in order to ensure that we are sustainable for the future.

Your answers—in fact, the answers of all our witnesses this morning—about what we need to do on public sector reform are interesting, but the other part of the equation is what we do about taxation. In your submission, you mentioned broadening the tax base, and you gave us some suggestions as to how that might be done. Just as important is whether we need to restructure the taxation system. You hinted, I think, in another answer that we probably need to do that. Will you give us your thoughts on reforming the taxation structure?

Alison Payne: Certainly. Reform Scotland has previously said, and we continue to say, that, with the financial settlement in Scotland, all our eggs are in one basket, as it were, with income tax. Because it accounts for more than three quarters of revenue income, that makes it difficult to look across the board. The risk is that, if you experiment too much, the very wealthy might move. Only around 1 per cent of income tax payers in Scotland are top-rate payers, compared with 2 per cent in England, so there are limits. We are far too reliant on one small tax, and there is not a great deal that we can do.

We have powers over new taxes. I mentioned looking at things such as wealth, especially immobile wealth. The key thing is immobile wealth, because, for obvious reasons, you cannot shift it down south or to more competitive tax environments. We need to look at creating a tax system in the round that can attract people. Yes, we need to broaden our tax base, but we also need to get more working-age people contributing to our revenue, so we need to look at what we can do to create a competitive environment that brings people into Scotland.

We are also looking at local government financial powers. We believe that too much is centralised at the moment, so we want business rates and council tax to be fully devolved to local authorities so that they can amend and design them to fit local circumstances. A council that wanted to introduce a land value tax or a local income tax should be able to do so to address the financial concerns and interests in its area.

There is still a limit on what we can do. As you outlined, the projections on health spending are scary. That is why we need to do something now. It might be a question of being honest with the public and saying, as we have suggested, "Right, we're going to put 1p on income tax, because we want to start implementing radical reform of how we pay for social care." We could start that process by putting together a cross-party group to look at how we could fund that in the longer term. Is some sort of social insurance required? How do we fund a social care system that is fair for all? We need to look at different options. Could we use a form of social insurance or could other funding methods be developed to pay for those things? On healthcare, there is a massive need to look at early intervention to prevent some of those things from coming down the line. We have not been able to afford to pay for such measures.

We also need to look at the powers that we have. There are discussions about the fiscal framework review. We cannot borrow for revenue costs but, on borrowing for investment, can we say, "Right—this is a short-term project, so can we expand our borrowing powers to fund some sort of pilot in order to experiment with reform to see what can happen and what we can use and develop?"? However, we need to start now, given the figures that you have mentioned, and not keep our head in the sand until we get to the 2050s, at which point the situation will be unsustainable.

Liz Smith: Several months ago, when we had the Scottish Fiscal Commission in giving evidence on the general economic situation, it was strong in its view that a number of stakeholders—not just political parties—should be involved in a tax commission to look at the issue. Do you subscribe to the view that that would ensure that we would get at least some kind of consensus on what is economically and socially good for the country, rather than what is the political agenda? Would Reform Scotland support that?

Alison Payne: Absolutely—definitely.

Liz Smith: I want to ask our Audit Scotland representative the same question. Obviously, you are not in a position to advise Government on policy as such, but from an economic and social perspective, do you think that, so serious are the future trends that we need to deal with—they are summarised in front of me—advancing a discussion about changing tax structures in line with our changing demographics is the best way forward?

Antony Clark: There needs to be alignment between ambitions and funding, and tax is part of that.

Liz Smith: Professor Connolly, do you subscribe to that view, too?

Professor Connolly: I agree with the other panel members. Having a conversation about tax is important, and a tax commission would be a good idea. It is important that we take the issue out of politics and that we are honest about the options and about the costs and benefits of each option, and what those options would mean for public services and making them sustainable for the future. It comes back to the heart of the other issues that we have been looking at today: it is about having a national conversation and not shying away from some of the more challenging areas of public policy.

Liz Smith: Obviously, there is a difference between the tax structures and the rates of tax, which, in many ways, tend to be much more political.

Ms Payne, when you answered the first question, you recommended that, with tax, we need to ensure that Scotland is competitive and is the best place to come to live, work and invest in. What recommendations would you make to ensure that, on a tax structure basis, Scotland is more competitive with the rest of the UK and, indeed, other countries?

Alison Payne: I go back to the first point that I made about the restrictions on the powers that we have. At the moment, we can be competitive only on income tax. You can make arguments about why it might be higher, but we have found that telling people that they are getting free tuition fees or the other so-called freebies, but that that comes with a problem, is not necessarily enough to balance it out.

There is also a feeling that, because we have so few people on the top rate, we have expanded and are targeting the middle group. As challenges become more apparent, there will need to be a proper conversation about universalism versus targeted support. You could find that, as more and more of the so-called taxpayer-funded perks disappear, people will ask what they are getting for that increased tax. Why would somebody come here? Since Covid, more and more people are working from home, so you can work from anywhere. Scotland is somewhere that you can work from. We want to attract people to come and live in our amazing country and to work from home if that is what they do, but why would they come here? What is the offer? People might not move away because of higher tax rates, but we do not know who is not coming.

Reform Scotland has talked about increasing taxes, but if we want to do that for a specific reason—we have mentioned social care—we should have that conversation with the public. We should say, “We’re doing this for this specific purpose.”

Equally, however, there is the threshold difference between the UK and Scotland. The money that has been raised from that pretty much covers the small business discount, so you could equally argue that what has happened up here has resulted in transfers from earners to small businesses. That is a political discussion, but it is not the same as saying, “The man in the street is paying more tax, but it means that there is a child payment.” There needs to be more of a clear discussion of why a situation is developing. Reasons need to be given, such as, “We’re trying to address child poverty,” or “We’re trying to ensure that we can reach net zero.” If you can send that message while also offering public services that look sustainable, we can attract more people to Scotland. We can attract people to come here to set up their businesses. That will result in more working-age people, who will generate more revenue, and that will help us to get into a more sustainable position.

Liz Smith: One of the other findings of the Scottish Fiscal Commission—the Fraser of Allander Institute and all sorts of economic groups have said this—is that our ageing demographic is a serious problem when it comes to the tax take, as is the fact that the working population’s share of the total population is declining.

Therefore, as well as talking about changing tax structures, which I believe is very important, we must ensure that the rates of taxation, whether on consumers, businesses or personal income, make Scotland much more attractive than is currently the case. Scotland is in desperate need of more higher-paid, better jobs so that people are attracted to come here. The balance of tax structure debate, as opposed to the tax rate debate, is very important in that.

Your comments have been very helpful, because the problem is urgent, and we are getting the very strong message from the economists that we need to act, preferably on as cross-party a basis as we can.

Alison Payne: May I add a quick point?

We have mentioned more powers. Legislation was passed to devolve corporation tax to Northern Ireland. There is an opportunity there: given that that power has been devolved to Northern Ireland, could it also be devolved to Scotland? Could we use corporation taxes as a way of attracting more businesses or doing something? We would not be devolving just for its own sake; we could then begin to build a basket of taxes that we could use to create a more attractive tax environment. There is an opportunity with corporation tax to do that.

Liz Smith: My final question is this: would each of you like to see not just a fiscal framework between the UK Government and the Scottish Government—the current fiscal framework is being reformed at the moment—but a fiscal framework between the Scottish Government and local authorities? Would that help matters?

Alison Payne: Yes.

Antony Clark: Yes.

Professor Connolly: I think it would help.

The Convener: You got short answers to that question, Liz.

Michelle Thomson is next. Thank you for being patient and waiting until the end.

Michelle Thomson: It is alphabetical order, and T comes last.

I thank the witnesses for joining us. I have a few questions. I first want to come to Alison Payne. We have had an interesting discussion, but we have not touched on public perceptions all that much. Arguably, the public are behind the curve, and react to changes by thinking, "It's going to cost me more," or, "I am going to get less." In your opinion, in light of the step back by the former Deputy First Minister from the resource spending review—we now know that the local bodies will look at their own efficiencies or reforms—and accepting all your earlier comments, where do the public fit in that? To what extent is the new approach a missed opportunity for making the public part of this "burning platform for change" that Antony Clark talked about?

Alison Payne: The public has to be part of it. The danger when that is left to individual bodies is that their relationship with the public is less visible. Those who engage with the bodies have a vested interest and will be more aware of what is going on. At the moment, we can see that there will be issues around the local government budget constraints and individual cuts, but there is no overarching strategy and, therefore, the public are dealing with things here, there and everywhere. There is no narrative or explanation of what is going on or how we are trying to build back better or deliver reform.

It comes back to the fact that there is no actual reform. Efficiencies are not reform; rather, we are just trying to cut our cloth accordingly. The only narrative and discussion with the public involves saying, "We need more money. Where is the money coming from?" rather than, "Things are difficult, and it is not just about money; there are demographic challenges. This is how we are going to start fixing it."

10:45

We need to have those conversations, in the same way as we need to have difficult conversations about how to reach net zero. People will not all of a sudden get rid of the gas boiler from their house if we do not talk to them, explain, set up the challenges and build in the lead time. The public will understand—they will want to protect public services and ensure that they survive. It involves having collaborative leadership across the parties and having that discussion with the public. We need to have a national conversation, whether it is on the future of the NHS, local government or other areas, by saying, "This is what we want—what do you think?", and then engaging with them.

Engagement could be through citizens assemblies as part of those discussions to bring in the public so that they work with and understand the issues that we face. Addressing a simply constitutional question, whether it is to do with the European Union or the UK, will not answer any of those questions. Whether we are in or out of the EU or the UK, we will still have to face those questions. It is therefore about working with the public in an honest way, but it has to come from the top. If you want real longer-term reform, those conversations have to start with the Scottish Government. It has to explain to the public and say, "This is what we are doing, this is why we are doing it and we want your buy-in."

Michelle Thomson: I ask John Connolly and Antony Clark whether they agree with that point about positive action to involve the public fully.

Antony Clark: I could not agree more. Change is coming whether we like it or not. Things will have to change in the nature, shape and patterns of delivery of public services. That inevitably means some disruption. We would be naive to think that everybody will be happy about what the future might look like but, if we involve people in the conversation and they have a voice and a say, we are more likely to end up with a set of public services and ways of delivering them that will be better suited to local communities. That seems an inevitability.

One challenge is that the issue can be a bit abstract. What does the term "public services" really mean? It means something when you need to go to the GP or the hospital, when you take your kid to school, or when your parents go into a care home. We need to find a way of making the conversation meaningful, and that is not quite as straightforward as this conversation might imply.

Michelle Thomson: Professor Connolly, I hope that you will be able to add, from an academic perspective, your recommendations on the most effective ways in which the Scottish Government could involve the public.

Professor Connolly: Public perception is key. The first experience that citizens have of Government is often when they try to make a GP appointment or when they are told that their knee operation has been delayed. It is important for people on the ground to understand that the Government is listening and will do something.

There has to be a national conversation, and there are a number of ways in which the Government might want to think about having that. The conversation could be held through citizens panels or citizens juries. Those have been effective across the world on a number of issues, such as local action on climate change and key social issues. There are options but, from an academic point of view, there are limitations to those deliberative forms of democracy, in that leadership is still required. Those in power are required to cut through some of the debate and dialogue. It is about the manner in which you do that. You need to be collaborative and make sure that everyone understands the pros and cons and the opportunity costs. Engagements with citizens are key to getting to that point, but that is not to say that you can just hand over everything to the public to make difficult decisions, because that is the job of policy makers.

Michelle Thomson: It is about the framing, if you like.

I have a slightly technical question for Antony Clark to help furnish my knowledge. As I understand it, there are rules about what is deemed to be a public body and is therefore pulled into the figures, the increase in which I saw in your submission. It strikes me that there may well be other bodies that do not fulfil those criteria but that receive the majority of their money from the Scottish Government. There is an analogy with IR35 in the private sector—arguably, if the rules were applied, those bodies would be deemed part of the public sector. Are you aware of that scenario? I am not asking you to name anyone; it is an in-principle question.

Antony Clark: A range of bodies receive public funding to provide public services and deliver public goods. Arm's-length external organisations are one example, and grant funding to the third sector is an important part of the landscape of the services that people experience in their communities, if that is what you are driving at.

Michelle Thomson: Yes. I suppose that my point is whether, given the data that we have on the strict definition of public services, that is actually an underestimate of the implications, and, therefore, when we look at public sector reform, whether the implications are greatly more significant. I am just trying to get a handle on that.

Antony Clark: I will approach that in a slightly different way. From the discussions that I am having with people in public services, be they the health service or local government, or, indeed, the fire and rescue service or the police, there is a strong sense that some of the bodies that we have talked about—ALEOs and third-sector bodies—are really important players in the reform agenda. I think that they are crying out to be a bit more involved. We touched on that a bit earlier. We saw a great deal of engagement, support and activity from those types of bodies during the Covid-19 pandemic. It seems to me to be almost self-evident that they need to be part of the conversation moving forward.

Michelle Thomson: My last question is slightly more about the nuts and bolts. By getting individual bodies to look at their own efficiencies or reforms—however we want to phrase it—we are missing the opportunity to create shared services, which is not an unusual way to get economies of scale. I am thinking about having multiple finance directors and human resources directors and, of course, procurement, where you can get economies of scale.

Probably for that reason alone, I was surprised by the step back from the RSR. It seems to me that, with the best will in the world, turkeys do not vote for Christmas. Do you agree that those areas are perhaps obvious ones where we might want to start to look at change, if it is not reform? I appreciate your analogy, Alison, and I accept that that is rather crude. I would regard that not as reform but perhaps as lower-hanging fruit. Since you are smiling, Alison, you may as well go first.

Alison Payne: It depends on the particular bodies. For example, in local authority areas where you have democratic accountability, given the size of some local authorities, there is certainly the opportunity to collaborate. I think that some of them do that, but I go back to my earlier point about it being about a bottom-up approach and that sort of coming together. I agree that turkeys do not vote for Christmas so, in some other areas, it would require leadership.

Where there is not the democratic accountability that local authorities have, there are other ways in which you could look at collaboration. You could have pilots in areas where health boards and local authorities have coterminous boundaries. For example, you could look at what could work in Dumfries and Galloway to improve the integration of health and social care in that area. Are there things that we can pilot that would provide that democratic accountability in the local health service in that area? Rather than do one and the same thing, we could look at piloting, evaluating and trying different things in different areas. There would be a mixture, with bottom-up collaboration, but central political leadership would need to be involved.

Michelle Thomson: Can I have comments on that from John Connolly and Antony Clark?

Antony Clark: Shared services must be part of the discussion and the agenda. We have a very mixed story of shared services in Scotland. We have seen a number of them get up and running, and sometimes they have failed. I think that the heat has slightly gone out of the shared services agenda in recent years. Some interesting work was published recently by the Improvement Service and the Society of Local Authority Chief Executives and Senior Managers on a future operating model for local government. It was clear that they felt that councils and their partners should be agnostic about who provides services, and not just agnostic about whether it is the council or the health board, but about whether the best model is public, private or third sector provision. That feels quite important.

If we look beyond Scotland's borders to England and other parts of the UK, we see things such as the North of Tyne Combined Authority. What is happening in the Manchester mayoral region seems to show that there are potentially real gains to be made from sharing expertise and capacity. Professor Connolly talked about capacity as an important bit of leadership and improvement. There must be something in that. As Alison Payne said, I do not think that you can impose a model on different places. There is also a need for leadership from the top.

Michelle Thomson: Do you have a comment, Professor Connolly?

Professor Connolly: There is also an opportunity to look at roles in the public sector and issues around shared services, because it could be that the workforce itself has to think more carefully about how to provide shared services and be innovative in the public sector, and about the skills that are required.

I talked earlier about workforce development and opportunities for public servants to enhance their skills when it comes to leadership at their level. We might be making big assumptions that individuals can just go ahead and do that. We think, "Okay, share your services, and just get on with it." It might be a good idea to do some kind of audit of the skills that are there and the development opportunities that could be put in place to enhance the public sector towards shared services. The way that I look at it is more about how to build that capacity at a human level in terms of occupations and careers in the public services so that we equip modern public managers for the nature of the society that we have now.

Michelle Thomson: I have a final comment, convener. I know that I still have some time.

John Connolly mentioned culture and innovation. There is a tendency with some people to think that reform of the public sector means having less of it but with the same structure, culture and behaviours. You distinctly made that comment about innovation. At a change level, it is extraordinarily difficult in any organisation to change culture and empower people. Do you have final thoughts about how you would go about that? It is quite a challenge.

Professor Connolly: We could learn from other countries and bring in opportunities for individuals to learn from one another and from innovative projects that have happened. There have been innovative activities across the public sector, particularly around the digitisation of services and opportunities to work on social innovation, perhaps bringing in third sector organisations to work collaboratively. For me, it is about having the discussion and allowing that to happen.

Skills around innovation are important but, at the same time, you have to see that in the context of the particular environment that you are in. For instance, in the health and social care setting, you can have those who are expected to integrate within health and social care and are employed by different organisations and are on different pay grades. They might also have different professional silos. Those are the things that have to be unpacked at local level to allow for the dialogue around innovation to take place.

Alison Payne: The cultural thing is definitely an issue, but it also depends on the specific sector. There will be different solutions in different areas. Changes are coming soon to the education bodies, and one of the big things has been that there needs to be a change in culture. You cannot simply replace the name of the body and think that, somehow, it will be a new body. That one is coming fast, and there is an opportunity to look at what happens and to work with teachers and the sector. What will be right for the new education bodies will not necessarily be right for an

integration between health and social care. It is about working specifically on those areas with the sectors involved and with the people more widely who feed into those bodies. It is about trying, failing and learning.

Antony Clark: A lot of innovation is taking place in Scotland at the moment, and it is sometimes underplayed. One issue is that that innovation is probably operating in small pockets rather than at scale. When I look at how public services are delivered in Scotland at the moment compared with when I joined Audit Scotland in 2003, I see that they are really quite different in many areas.

There is a leadership issue about creating an environment where people feel able to innovate and test, and the point about risk appetite that Professor Connolly talked about is important. My sense is that people who work in public services know that things have to change. They are not naive. They see the budget proposals; they know what is going on in health boards, councils and executive agencies. It is really important to get them involved in the process of deciding what the future model of public services is and to draw on their knowledge and expertise.

The Convener: I thank all our witnesses. Is there anything that we have not touched on that you feel we should have asked you about, or anything that you wanted to say that you have not had the opportunity to say?

No? You are all looking quite happy, which is good.

Thank you all very much indeed. I found that fascinating and helpful. This has been about scene-setting for the inquiry. At our next meeting, we will continue to take evidence on the Scottish Government's public service reform programme.

That concludes the public part of today's meeting. The next item on our agenda, which will be discussed in private, is consideration of our work programme.

10:59

Meeting continued in private until 11:27.

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