

FINANCE COMMITTEE

Tuesday 28 June 2005

Session 2

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FINANCE COMMITTEE

17th Meeting 2005, Session 2

CONVENER

*Des McNulty (Clydebank and Milngavie) (Lab)

DEPUTY CONVENER

*Alasdair Morgan (South of Scotland) (SNP)

COMMITTEE MEMBERS

*Ms Wendy Alexander (Paisley North) (Lab)

*Mr Andrew Arbuckle (Mid Scotland and Fife) (LD)

*Mark Ballard (Lothians) (Green)

*Mr Ted Brocklebank (Mid Scotland and Fife) (Con)

*Jim Mather (Highlands and Islands) (SNP)

*Mr Frank McAveety (Glasgow Shettleston) (Lab)

*Dr Elaine Murray (Dumfries) (Lab)

COMMITTEE SUBSTITUTES

Gordon Jackson (Glasgow Govan) (Lab)

Alex Neil (Central Scotland) (SNP)

Iain Smith (North East Fife) (LD)

*attended

THE FOLLOWING ALSO ATTENDED:

Professor Arthur Midwinter (Adviser)

THE FOLLOWING GAVE EVIDENCE:

Dave Ferguson (Scottish Parliament Clerk/Chief Executive's Group)

Morris Fraser (Scottish Executive Finance and Central Services Department)

Paul Grice (Scottish Parliament Clerk and Chief Executive)

Mr Duncan McNeil MSP (Scottish Parliamentary Corporate Body)

Graham Rennie (Holyrood Project Team)

David Robb (Scottish Executive Finance and Central Services Department)

Tavish Scott (Deputy Minister for Finance and Public Service Reform)

CLERK TO THE COMMITTEE

Susan Duffy

SENIOR ASSISTANT CLERK

Judith Evans

ASSISTANT CLERK

Kristin Mitchell

LOCATION

Committee Room 2

Scottish Parliament

Finance Committee

Tuesday 28 June 2005

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

Interests

The Convener (Des McNulty): I open the 17th meeting in 2005 of the Finance Committee, which will be our last meeting before the recess. I welcome Tavish Scott and congratulate him on his elevation to the Cabinet. I think that this will be his last appearance in his existing role.

I welcome the press and the public and remind everyone to turn off their pagers and mobile phones. No apologies have been received, but there has been a change in the composition of the committee. John Swinburne has resigned his membership of the committee; I will briefly read out a letter from him.

"Dear Des,

Now that my resignation from the Finance Committee has been accepted by Parliament, may I take this opportunity to say that it has been a great pleasure to serve on the Committee under your convenorship since May 2003.

I was indeed fortunate to find myself among such a dedicated Committee, with all its members a pleasure to work with. To this list, I must add Susan Duffy and her staff, including Ross and Jim, plus, of course, Arthur, who has the ability to condense pages of statistics into basic common sense.

Thanks again to all."

That is a very nice letter from John. I will write to him in response, if that is agreeable to members.

Members indicated agreement.

The Convener: As a consequence of John Swinburne's moving on, I welcome Mark Ballard, who is the new member of the committee. This is his first meeting, so under agenda item 1 I ask him to declare any relevant registrable interests.

Mark Ballard (Lothians) (Green): I am a member of a range of community and campaigning organisations, which are laid out in the register of members' interests. I have no interests to declare beyond those.

The Convener: I thank Mark Ballard for his declaration and warmly welcome him to membership of the Finance Committee.

Relocation of Public Sector Jobs

10:05

The Convener: Agenda item 2 is a continuation of our post-inquiry scrutiny of the Executive's policy of relocating public sector jobs. As members will recall, we agreed with the Executive that we would be given six-monthly reports on progress. Today, we will discuss the second of those reports. I am pleased to welcome to our meeting Tavish Scott, who is currently the Deputy Minister for Finance and Public Service Reform. With him are David Robb, who is head of the Scottish Executive's public bodies and relocation division, and Morris Fraser, who is also from that division. As indicated on the questions paper, a written answer on the policy was published this morning—hard copies have been given to members. I invite the minister to make a brief opening statement. After that, I will invite questions from members.

The Deputy Minister for Finance and Public Service Reform (Tavish Scott): Thank you for your kind words at the outset, convener. It has been a great pleasure to work with the committee wearing the relocation hat and, indeed, wearing a number of other finance-related hats. I hope that the committee will be as fair and as courteous to others who sit in this chair as it has been to me during the past couple of years.

Members have copies of the relocation guide, which we brought with us this morning. At first sight, it looks like a transport document, but I am assured that the text relates to relocation. It also contains some nice pictures of various sunny parts of Scotland.

By way of introduction, I will go through a number of issues that will, I hope, be of interest and use to colleagues. The report that I sent to the committee last week gives an update on our progress on location reviews during the past six months and provides information on issues that the committee previously raised. We remain grateful for the committee's continuing interest in relocation policy and indeed for the welcome that it gave to the proposals on improving implementation that we brought forward when we discussed the matter in January. I hope that the process will continue.

As the convener said, I have today announced some additions to the location review programme and some outcomes from the on-going reviews. Further announcements will be made shortly on some of the other on-going reviews. For example, the Minister for Health and Community Care, Andy Kerr, has agreed to plans for co-location of the special health boards—NHS Education for Scotland, NHS Quality Improvement Scotland and

NHS Health Scotland—on two Glasgow sites. That will bring together about 830 posts, 250 of which are currently in Edinburgh. Staff are being informed about that as we speak and Mr Kerr will issue a news release later this morning. I hope that that goes some way towards demonstrating that the Executive remains committed to its relocation policy. I am happy to address any questions that the committee has, either today or in correspondence.

Perhaps I need to deal with two issues that have been the subject of publicity in recent weeks, surrounding the relocation of two bodies in particular. The first of those bodies is the Mental Welfare Commission for Scotland. Much has been made of the legal arguments surrounding that case and, no doubt, other public bodies will be following developments with interest. Ministers rarely have to resort to legal arguments when working with public bodies. A range of practical and administrative measures is available to enable ministers and departments to influence public bodies on how they exercise their functions and none of those measures relies on any specific legal power.

I am talking about influencing efficiency and effectiveness, not about interfering with operational decisions. Also, I am talking about negotiation and agreement on objectives, not about abolishing bodies that will not be persuaded, only to recreate them in another location—that is certainly an option, but it is a drastic one. The creation of arm's-length bodies is usually a signal that ministers should not interfere in decision making or operational matters. However, where services are delivered through a public body—and particularly where that is financed by the taxpayer—ministers have a responsibility and even a duty to ensure that there is transparency, efficiency and effectiveness within the public body and within the wider community that it serves.

As part of that responsibility, ministers will decide on relocation, which—as we have discussed on many occasions—can be a driver for efficiency and can bring benefits to the wider community. To avoid any doubt about the relationship between the responsibilities of ministers and the responsibilities of public bodies such as the Mental Welfare Commission, ministers are exploring legislative routes for taking clear legal power on location. The policy will not be stalled or unravelled as a result of any misunderstanding that arises from an interpretation of what ministers can or cannot do.

I turn to the second body—Communities Scotland. As we announced on 15 June, ministers agreed to a relocation of Edinburgh headquarters posts. The holders of those posts will be co-located with area office staff in Glasgow. That

decision—which allowed Communities Scotland to take advantage of a co-location opportunity that might have been lost if a full location review had been undertaken—will free up resources in Edinburgh. The move of staff and posts to Glasgow from Edinburgh will be entirely in line with the objectives of the relocation policy. It is a great pity that the speed with which Communities Scotland had to move did not allow a full review to be undertaken. However, I understand that staff and representatives were told as soon as the decision had been taken and that everything possible is being done to offer staff the necessary support.

There have been some positive developments. In the past few weeks, I have visited two of our small units initiative relocation sites and have seen for myself the difference that that important strand of the policy can make. The Executive's central inquiry unit is now up and running in Kinlochleven, which has recently suffered another jobs blow and is affected by difficulties with the wider Lochaber economy. The national health service central register has opened in Elaine Murray's constituency in Dumfries. I was pleased to find out what those bodies are doing and how the management have developed their roles, not least because of the local availability of excellent staff.

The relocation of posts to another small unit in Tiree led not only to local employment opportunities, but to people who had ties to the island returning to take up some of the jobs available; the move even attracted Executive staff from Edinburgh. The movement of people and jobs to the island is an important development for Tiree. There have been similarly successful moves to Dingwall and Tain.

I am pleased to announce today that the Executive is pressing ahead with more small unit moves as part of the location review programme. As I say in my written answer to Michael Matheson's parliamentary question, another Crown Office transcription unit will be established and plans to establish a new convener of the water customer consultation panels are being set out. We are in discussion with other parts of the Executive and I am confident that we will produce more candidates for small-unit moves during the coming year.

To add to the current programme, I have announced that the location of the Scottish Court Service headquarters and of the office of the Scottish Legal Services Ombudsman will be included in the review. Both organisations are currently based in Edinburgh. Those additions have been triggered by lease breaks—a process with which the committee is entirely familiar. Edinburgh options will be considered alongside options from all around Scotland. During the

coming year, we will add more organisations to the programme. Partly as a result of the committee's recommendation, the Executive remains committed to introducing a new review trigger, which will deliver more review candidates.

I take the opportunity to praise the efforts of local authorities and local enterprise companies, which have worked closely with the Executive to identify the new list of prospective locations that will be used in reviews. Members might recall that in January I said that we would hold a seminar involving local government colleagues and local enterprise representatives. The seminar was a useful event—Morris Fraser can provide more details on it, if that would be of interest to the committee. A draft list was attached to my report and the list is being published in its final form on the Executive's new relocation website, which I am told went live yesterday. The website will also contain the finalised relocation guide, a copy of which members have received this morning.

I will be happy to answer any questions.

10:15

The Convener: Thanks very much. I have two things to say before we move on to questions. Today we hope to finalise our response to the Public Administration Select Committee's inquiry on the civil service. We welcome your positive remarks about flexibility of transfer between non-departmental public bodies and the civil service, which are likely to be incorporated into our response.

What you said about the health service bodies seemed to be a major announcement. I could not calculate exactly how many staff would be involved, but it seemed that the figure was between 600 and 800. Can you confirm that that is the scale of what you are talking about? Following that announcement, what is the total number of relocations from Edinburgh?

Tavish Scott: I will get Morris Fraser to give you the detail on the numbers.

Morris Fraser (Scottish Executive Finance and Central Services Department): Around 255 special health board posts that are based in Edinburgh will go to Glasgow by the middle of 2007. Given that about 600 staff in those boards are already in Glasgow, the co-location will be a chance to move some of them around to ensure that the organisations are as efficient as possible.

The table that we provided to the committee along with the minister's report gives the figures for the special health boards, but only the 255 staff who will move are referred to directly. That information was provided before today's news, so

perhaps we could provide the committee with an update of the table later today.

The Convener: That would be helpful.

Dr Elaine Murray (Dumfries) (Lab): Congratulations on your elevation, minister. As someone who was a reporter for the committee's initial inquiry on relocation, I find the production of the new relocation guide satisfying. The way in which the committee and the Executive have worked together to make progress on relocation is not always the sort of thing that hits the headlines, but it is part of the good work that is done in the Parliament. I am grateful to you and your team for the way in which you have worked with us to make some of the necessary changes.

You will know that we considered transferability in the context of the Irish relocation policy. In Ireland, people can transfer between agencies, NDPBs and the civil service. I note from your submission that changes that are being made to the civil service recruitment code may allow NDPB staff to transfer into the civil service, especially when they have worked closely with the civil service. It is proposed that there will be a list of approved bodies whose staff will be able to transfer. Is continuity of service being addressed for NDPB staff who transfer into the civil service?

Tavish Scott: I will allow my colleagues to answer that, but my assumption is that the answer is yes. Thank you for your remarks.

Morris Fraser: We would have to check with the Cabinet Office. I cannot imagine that staff in that position would not be able to continue their service.

Dr Murray: You also say:

"It is expected that civil servants will have reciprocal access to vacant posts in NDPBs."

Has any progress been made on that or is it simply an expectation? Have there been any formal discussions with the NDPBs?

Morris Fraser: At the moment, that is just an assumption. By August, the Cabinet Office will have the beginnings of an on-going list of relevant NDPBs. At that point, it will become clear to what extent transferability works both ways.

David Robb (Scottish Executive Finance and Central Services Department): I will explain further. At the moment, there is a gateway system for civil servants who move between Government departments. Under the Cabinet Office proposals, NDPBs will be invited to join the gateway mechanism and vacancies and opportunities will be advertised. Given that the scheme will be rolled out throughout the United Kingdom, we have to be careful that we are correct about some of the details, because we are not human resources

experts. The gateway is being broadened so that it includes not just central Government departments, but NDPBs that meet the tests of the Office of the Civil Service Commissioners on fair and open recruitment processes. Individual opportunities will be matched with the skills of applicants, regardless of whether they come from another Government department or an approved NDPB.

Dr Murray: I assume that, if staff are unsuccessful in applying for jobs, they will go through the normal redundancy mechanism. Are there any specific arrangements to deal with such cases?

David Robb: If a body was relocating and individuals were unable to find suitable alternative employment, even with the broader opportunity through the gateway process, the redundancy rules would come into effect.

Mr Ted Brocklebank (Mid Scotland and Fife) (Con): I congratulate the minister on his elevation to his new post.

We have, in the past, debated whether such relocations are relocations of departments or whether they are, in fact, a switching of jobs to other locations. We have noted, too, the difficulties that are sometimes experienced in trying to persuade people to move from Edinburgh to other locations. We saw that in relation to the Scottish Public Pensions Agency's move to Galashiels and we heard last week that only 35 of the 268 central staff of Scottish Natural Heritage in Edinburgh have said that they will move to Inverness. I presume that you are more optimistic that the 255 staff members who you suggest will go to Glasgow will make that move, given that Glasgow is only 40 minutes from Edinburgh. Has it been depressing for you that so few people have taken up the opportunity to leave the capital and move to the peripheries?

Tavish Scott: As we have discussed before, convener, and as Mr Brocklebank knows, I have never played down how tough some decisions are for individuals who have families, mortgages and all the arrangements to make that you and I have to make in relation to our families. I have always accepted that. It is not a case of being on the back foot; it is about accepting the reality of the implementation of the relocation policy. In a perfect world, everyone would move with the body, as it is important from the point of view of operational effectiveness to retain core skills and people who know the nature of the organisation. Relocation is not without its challenges, but there can be no doubt that the bodies that have relocated have provided benefits to the wider community through the transfer of posts. We can now clearly demonstrate that; studies have been done, with which the committee is familiar, on the benefits that the relocations have brought. I hope

that many members of staff will decide to remain with the organisations that are involved in the most recent announcements. All that we can do is monitor the situation and keep a close eye on it.

Mr Brocklebank: We would all agree that there are benefits to relocation. However, were you disappointed to discover that the cost of moving SNH to Inverness from Edinburgh is now approaching £30 million?

Tavish Scott: A decision was made in relation to that body and a costing exercise was carried out at the start of the process, which is in the public domain. As the deputy minister with responsibility for finance, I can say that it is in the Administration's interests, being responsible for public money, for such costs to be minimised. We can observe the amount of money that has been involved in that exercise, but I still think that the decision that was made was correct. It was right to move Scottish Natural Heritage to Inverness, as there will be wider benefits for that organisation over the period of time that we always said would have to be considered in any assessment.

Mark Ballard: You just mentioned evaluation and monitoring. In the evaluation that you say that you will carry out, will you provide the committee with information on how many existing staff move to the new locations in each of the transfers and on whether short-term support measures need to be introduced to maintain continuity when staff are not able to transfer to the new locations for whatever reason?

Tavish Scott: That information is presented as part of the regular feedback to the committee. Indeed, it is in the public domain, as we have put that information out generally as part of the on-going six-monthly exercise. Mr Ballard will also be aware that there are mechanisms such as PQs that ensure that such things are observed. He should not worry about that information not being available to the committee.

Mr Andrew Arbuckle (Mid Scotland and Fife) (LD): I add my congratulations to the minister and I look forward to questioning him on the transport budget in due course.

I have not read every word of the document that was given out a few minutes ago, which is comprehensive in its account of the methodology of relocation, but I note that there is little in it about the timescale for relocation. I raise the issue because organisations such as sportscotland have been in the pending tray for a while and any delays cause uncertainty among an organisation's staff. What is the Executive—or whoever is going to deal with the matter—doing to minimise delays in decision making that could have an adverse effect on staff?

Tavish Scott: That is a fair question. I would not suggest that delays do not occur and I know that they are difficult for staff to deal with because of the uncertainty that Mr Arbuckle mentions. However, we do our best. The committee will recall, from its own investigation, that, in response to our joint work in the area, we have set up the central unit to monitor the process and ensure that it is driven forward. David Robb, Morris Fraser and the other officials in my team spend quite a lot of their time in seeking to minimise delays, for the reasons that Mr Arbuckle has mentioned. In fairness to them, it will take a little time for the unit to bed down, as it was put in place only relatively recently in the context of government. I hope that the fact that the central team has that responsibility will help the process. Ultimately, however, decisions are made by ministers and it takes them perhaps a little longer than we would all like to make those decisions.

Jim Mather (Highlands and Islands) (SNP): I join my colleagues in congratulating the minister on his elevation. I welcome the fact that he will be able to maintain his interest in relocation by pressing ahead with a route action plan for the A82 at an early juncture.

The document that we have received from the minister makes considerable mention of strategic triggers. Would it not have been better to have had the strategy document available before the website was launched and the relocation guide was published?

Tavish Scott: I am not quite sure what Mr Mather means by the strategy document.

Jim Mather: The document that you have circulated to committee members states:

"In the previous report to the Committee, we set out broad plans to link relocation with other policies in a more strategic way."

It goes on to say:

"we remain committed to developing an appropriate way of bringing into the relocation programme a wider range of bodies and units, through a more strategic trigger."

I glean from that that there is a more strategic way.

Tavish Scott: I apologise. I should have understood Mr Mather's point.

I did not want to slow down the process. Mr Mather is quite right to say that we could have chosen to follow that course of action. However, there is a fair amount of pressure—from the committee, quite rightly, as well as from individual members—on decision making and the speed of decision making. Had we gone down that route, that would have added to the delays in certain cases. As usual, a judgment call was made about whether it was worth holding up on-going reviews

that were leading to decisions for individual portfolio ministers. Our judgment was that it was better to keep the process going but to ensure that the strategic triggers and the strategic overview that we are seeking to put in place were established as a parallel exercise that will, I hope, seamlessly move in and cover the relocation policy as it is taken forward over the next year or so.

Jim Mather: It would therefore be fair to say that the current triggers are not strategic and that a better way is available.

10:30

Tavish Scott: No—I do not concede that the current triggers are not strategic. I have argued for two years in this job and before this committee that we take a Scotland-wide view of relocation. Relocation ministers meet regularly to do that. All I am saying—and all I have argued—is that we can drive forward improvement, not least in response to the committee's recommendations. My mind is never closed to ways in which we can sharpen up the process and make it more effective.

Jim Mather: Having seen the document, we concede that it is strategic on one hemisphere, in that it tries to address need, but it is not so strategic in terms of triggering relocations in the first instance.

Tavish Scott: Mr Mather is familiar with the mechanisms such as lease breaks that we use in respect of new bodies. That is the agreed position that the Administration has adopted at this time. However, those matters are under review and we will keep in close touch with the committee as to how that develops.

Jim Mather: I detect that you are not going to be in a position to tell us exactly what will drive the new strategy. However, will it include prioritising areas that suffer from particularly low levels of economic activity? To what extent will the strategy draw on aspects of the Irish national spatial strategy?

Tavish Scott: Mr Mather will know that employment statistics and other economic data feed strongly into statistical analyses and how reviews are carried out, and that they contribute to the decision-making process. Economic data are built in as a core element of analysis. That will continue to be the case, as is absolutely right. We set out the relocation policy as we wish to do it. As I said to Elaine Murray and Fergus Ewing when they reported on the Irish strategy, we are happy to examine other examples. However, ours is a Scottish policy for Scottish needs.

Jim Mather: Finally, can you give us more information on a strategic approach to trigger

mechanisms? Will the future strategy include concrete targets?

Tavish Scott: I cannot give that information today, but we will keep in close touch with the committee. Part of what will be done will be consideration of whether specific targets are appropriate. I hope that Mr Mather accepts that, by definition, the way we currently conduct relocation exercises does not relate to targets, simply because of the trigger points that are used. That is the kind of issue that we are considering.

Jim Mather: There are targets in other jurisdictions, such as Westminster and other countries.

Tavish Scott: Yes, but our record is not bad. I look around and see what other areas are doing, and I think that our record is pretty reasonable.

The Convener: Jim Mather skirted around the issue of the timescale. When do you expect to publish information about the strategic approach to trigger mechanisms?

Morris Fraser: We were at quite an advanced stage in developing an approach when another couple of policies that the Executive is running with came into bloom. We are now making the link between them at the development stage. Later this year, we will be able to point out the right direction.

Tavish Scott: The truth of it is—[*Laughter.*] Sorry, the straight answer is that, as the committee has observed, the efficient government initiative has inevitably fed in to relocation. Unsurprisingly, my colleagues who are keeping a close eye on the efficient government agenda and its importance across all portfolios have asked us to be well aware of what may happen in relation to individual portfolio decisions on relocations. That is one of the factors to which Morris Fraser alluded.

The Convener: I think it was Chairman Mao who described his policy position as letting 100 flowers bloom. I hope that we do not have the same outcome as China in the 1950s.

On staff consultation, you state in your report:

"we have set out in our Relocation Guide what we think is best practice for consulting and involving staff and representatives within NDPBs under location review."

We have got the glossy document, so why was best practice not followed in the context of Communities Scotland?

Tavish Scott: Communities Scotland is not an NDPB. That is, dare I say it, the direct answer.

The Convener: So best practice does not apply to agencies.

Tavish Scott: Guidance exists. I understand that there were particular circumstances in relation

to Communities Scotland that required that a quick decision be taken. In the context of the overall relocation policy, I would have preferred the best-practice mechanisms to be followed. I appreciate that because of the speed with which the decision had to be taken—there was a particular opportunity in relation to Communities Scotland at the time—ministers correctly chose to move quickly forward. I understand that staff have been fully involved in the on-going work. That is why that particular set of circumstances came about.

The Convener: Can you tell us any more about the particular set of circumstances that led to that quick decision having to be taken?

Tavish Scott: I cannot today, but I am happy to provide what information we can in written evidence, in conjunction with the Minister for Communities.

The Convener: Were you, as the minister for relocation, involved in that decision-making process, or did the departmental minister make the decision?

Tavish Scott: The departmental minister made the decision, but relocation ministers were advised about it. That is the process that is followed with all departmental portfolio decisions. Wider interests are observed at official level and there is considerable contact between the relevant departments and my relocation team.

The Convener: Are you satisfied that your ministerial colleagues are all fully aware of the procedural requirements for taking decisions under the relocation strategy?

Tavish Scott: Yes. There is no doubt about our intentions and determination to drive forward the relocation policy. All ministers are aware of that, as is the management group. One example is the small units initiative, to which I have paid a lot of attention. We have constantly and consistently asked at ministerial and management group levels that a close eye be kept on opportunities that could arise and be followed up for small units. There is a clear understanding across all offices of what we are seeking to achieve.

The Convener: My concern is that the committee has taken a particular interest in the staff consultation issues that are associated with relocation. The Executive has published best practice guidance, and in your first answer on Communities Scotland you said that it is not an NDPB, but an agency. I presume, however, that equal treatment applies to agency and NDPB staff. I would be concerned if best practice was published but ministers were finding circumstances—that you cannot tell us about in detail today—that could be used to override the application of best practice.

Tavish Scott: One should not generalise. We are talking about one specific set of circumstances and one body. I am absolutely not talking about general practice across the office. If that was general practice throughout the Executive, I would be very concerned. However, I know that that is not the case, and I would not like the committee to be under any impression that the circumstances that arose in relation to Communities Scotland are general and arise day in and day out across relocations. They do not; if they did, that would be a big problem that we would—I assure you—do something about.

With Communities Scotland, there were circumstances to do with the speed of the decision in relation to an opportunity that arose because of a particular site and location. I am sorry that I cannot give a whole bunch of detail, but we will get it to the committee as soon as we can. It is important to acknowledge that there was one particular issue in that example. I am not aware that such a set of circumstances has arisen in relation to any other body in respect of relocation since we put in place the measures that we have discussed many times around this table.

The Convener: I would certainly welcome more information about the Communities Scotland decision. I welcome your assurance that you consider it important to adhere to the best practice that you yourself have identified and have, I presume, discussed with the relevant trade unions.

Mr Brocklebank: In your opening statement, you referred to the difficulties in persuading the Mental Welfare Commission for Scotland to move to Falkirk, and you were fairly bullish in saying that that delay would not derail you from the policy. What steps will the Executive take to resolve that problem, given that the relocation was originally approved on the basis that it would provide efficiencies?

Tavish Scott: As I said in my opening remarks, we are currently considering a legislative mechanism to ensure that ministers have the appropriate powers, so that such a circumstance cannot arise in the future. That process will rightly be subject to parliamentary scrutiny. I am sure that the committee will take a close interest in that.

I am sorry for repeating myself, but I want to stress the difference between the appropriate level of operational independence, if I may use that term, that such bodies have—that is, after all, why Parliament chose to set them up and approved their establishment in that way—and relocation policy, which we all agree can provide operational effectiveness and advantages. I believe that that is an important distinction. In relation to the Mental Welfare Commission for Scotland, I believe that we can show those very advantages of relocation.

I hope that we can in the fullness of time look again at the matter with Health Department colleagues who have responsibility for that body, and convince them that appropriate relocation would be in the body's best interests.

Mr Brocklebank: At the end of the day, are we talking about legislation? Are we talking about the direction in which bodies go?

Tavish Scott: We may well end up with legislation. We are considering legislative routes and we shall bring our thoughts back to Parliament and to the committee as quickly as we can, but it is important to recognise that such legislation would apply to the entire public sector and to the responsibility that we have for bodies through the Scottish Executive. We are certainly examining legislative routes.

Mr Brocklebank: I presume, however, that it is important that all the bodies that you propose to relocate are made fully aware of the legal position, and that that happens with public bodies all over Scotland, so that they can fully understand what is intended at an early stage.

Tavish Scott: I fundamentally agree—that is exactly the exercise that is going on at the moment. The fullest assessment is being made of those considerations in relation to all the bodies for which we are responsible. I hope that we will be able to present our advice on the proposed legislative route as quickly as possible.

The Convener: I highlight that the committee has been concerned about the locational decisions in respect of a number of bodies when they were set up. They are not necessarily bodies that are under the control of the Executive; they include bodies that were set up by Parliament and which have some independence. The Scottish Information Commissioner is one, and one could argue that Scotland's Commissioner for Children and Young People is another. In the context of discussing legislative approaches to such matters, I encourage the Executive to consider not only bodies that are under its control, but also some of the legislation that has been approved for setting up those commissioner bodies, to ensure that there is accountability for financially linked decisions such as location decisions, and that there is a proper mechanism for accountability. That is an issue that the Executive and the committee might want to discuss further in examining any proposals that might be made on the matter.

Tavish Scott: I absolutely accept that point. It is obviously not for me to direct bodies that do not come under the Executive's auspices; I think that Parliament would take a dim view if I did. However, I accept the central point that the convener makes. I can only commend our

relocation guidance to Parliament for its reviews and decisions on bodies such as those which the convener described. I accept the point, particularly in relation to financial aspects.

The Convener: The proprieties are such that it is not your job to deal with the issue, but there needs to be a dialogue so that Parliament can move forward in a way that is consistent with what the Executive is doing.

Tavish Scott: I agree.

10:45

The Convener: I have another question about the link between relocation and efficiency. As Morris Fraser said in response to an earlier question, one of the thrusts of efficiency is to share back-office staff and to consider putting in place common human-resources approaches. To what extent is that drive feeding into the relocation policy? Can you give us any more information on that?

Tavish Scott: That drive is feeding into relocation policy. I do not know whether we can say more about today's announcement on health bodies, but that was certainly one of the issues in assessment of those bodies and in arguments for their co-location, because of the advantages in sharing services. We might be able to expand on that, but such sharing was certainly a driver. I hope that that example can be used in relation to relocation policy generally. Morris Fraser may be able to add some detail.

Morris Fraser: I can add some detail, but perhaps not on the health bodies, because that announcement has just been made and we really do not know what the shape of the services will be. The Health Department will now chat with the boards, and the boards will come together to decide on that.

A number of past decisions were based either on the desire for efficiency through sharing or have led organisations to seek that. In Dundee, a conglomeration of public bodies and other Government departments are considering two co-locations, primarily because the Executive directed them to be there in the first place, and has now sought efficiencies. More important is that the strategic trigger that we are developing will have to use efficiency and efficient government as a driver, so the link will be much more apparent in future.

The Convener: I would also like to ask about timescales for the shortlisting and identification process. When we came to the meeting, there were six or seven organisations under consideration. We have had an announcement today that takes three of them off the agenda, so

we now have about four, including major ones such as the new transport agency, the Registers of Scotland and the Scottish funding councils for further and higher education. Is not it possible to give us more advance information on those bodies? I also notice that you have approved a shortlist, so we are not getting information before a shortlist is approved. Is it possible to get information earlier in the process?

Tavish Scott: We could consider that and discuss how best to help the committee with information. You can correct me if I am wrong, but I understand that the benefit of the six-month review, which we have agreed to and which the committee originally asked for, is that it provides such an update. That is the kind of process that I envisaged when the committee made the suggestion, which I thought was good. In the past, we answered one parliamentary question a year, but now, in response to your suggestion, we make a formal report to the committee twice a year. We can examine the matter, but I would like to take a little time to see how things bed down, not least because there is always an issue about the balance between getting the update right by ensuring that information is accurately provided to the committee and to Parliament, and the on-going process that drives us forward day in, day out.

Alasdair Morgan (South of Scotland) (SNP): I have two questions. The first concerns the list of preferred locations that you have arrived at so far with local authorities, which I have now seen on the website. Is that list of locations simply for larger moves, or does it include locations that are suitable for the small units review? Is it the intention that the list will, in the fullness of time, include locations for smaller units?

Tavish Scott: I understand that the list includes both types of location. As far as I am aware, the list is fairly comprehensive and provides small-unit opportunities as well as opportunities for larger bodies.

Alasdair Morgan: Secondly, you make the fair point that about 55 per cent of existing Executive or Administration jobs are outwith Edinburgh, although it is clear that many of those jobs are not at the higher levels. Will you give us a flavour of what the larger elements within that figure of 55 per cent are? I suspect that the figure will surprise many people.

Tavish Scott: I am not sure that I can do so off the top of my head, but we will provide written information on that matter, if that is acceptable.

Alasdair Morgan: If the figure is 55 per cent, a fair number of folk who work for the Executive must be spread throughout the country; it would be nice to know who they are. How many people in the health boards are included, for example?

Tavish Scott: May we provide information on that to the committee in a proper written answer?

David Robb: The figure does not include anyone in the health department.

Alasdair Morgan: In that case, the figure is even more interesting.

Tavish Scott: The local agricultural offices, for example, come to mind.

Alasdair Morgan: That is the obvious example.

The Convener: As there are no more questions, I thank the minister on behalf of the committee for coming to the meeting and wish him luck with his promotion, which must be approved before he is elevated.

I suspend the meeting for a couple of minutes—we are waiting for Duncan McNeil.

10:53

Meeting suspended.

10:55

On resuming—

Scottish Parliament Building

The Convener: Agenda item 3 is consideration of the latest report on the Holyrood building from the Presiding Officer. Members have copies of the report. I welcome to the meeting Duncan McNeil, who is a member of the Scottish Parliamentary Corporate Body; Paul Grice, who is the clerk and chief executive of the Parliament; Graham Rennie, who is consultant project manager for the Holyrood project team; and Dave Ferguson, who is a Holyrood project adviser. I invite Duncan McNeil to make a brief opening statement, after which we will proceed to questions.

Mr Duncan McNeil MSP (Scottish Parliamentary Corporate Body) First, I apologise sincerely for being late, which is not a good start. Previously, Robert Brown could use his train as an excuse, but I have no such excuse.

The convener will be surprised to see me here, although not as surprised as I am. I am standing in at short notice for Robert Brown, who has led for some time on the corporate body in respect of the issue that we will discuss. We thank him for doing so and wish him well in his new job.

Members will not expect me to be particularly helpful this morning, but a corporate body team is in attendance. I am sure that they will be able to answer questions and will turn a weakness into a strength. If the team cannot do so, written responses can be provided in due course.

The Convener: Members of the committee would echo your congratulations to Robert Brown on the new role that he is likely to take on board. I invite questions from members.

Dr Murray: I have a question that is not directly about the report, but which is on a matter that is of interest to me. Yesterday, there was a lot of press speculation about refurbishment of the members bar and about large sums of money being involved. Obviously, I do not know whether the speculation is true, but in which budget would that refurbishment be accounted for?

Mr McNeil: I confirm that the speculation is true, but whether the work could be called refurbishment is another matter. In December last year, we decided to invest a relatively small amount of money in response to a lot of debate about the members' restaurant area. As a result of that investment, we hoped to maximise use of the area and to increase access to it for more people by breaking it up into three areas, which would include a bar area and a middle area. Currently, pass holders and their guests can access the area and are doing so, as members know—the area is

very busy on some days—but we decided to try to create three distinct areas to encourage better use of the area and better access to it. Paul Grice can help with the other details.

Paul Grice (Scottish Parliament Clerk and Chief Executive): The expenditure will not be accounted for in the project budget. We expect, now that the Holyrood project is over, to have a relatively small on-going capital budget that will cover information technology capital and any improvements. As Duncan McNeil said, the work in question will not be refurbishment, because the area does not need to be refurbished. The corporate body thought that the area could be developed, so the expenditure will be on that. The money will be accounted for in this year's expenditure under the facilities management heading.

Dr Murray: So the expenditure will be part of facilities management expenditure and we will have the opportunity to scrutinise that capital budget in time under the usual budget process rather than through the Holyrood project process.

Paul Grice: Exactly—that is correct.

Mr Brocklebank: I want to get the headline stuff out of the way first. On a related point, I heard reports yesterday that alleged that a reason for the restaurant's having done so badly—and, indeed, for the adjoining area not doing particularly well—is that members of the press have boycotted the bar area because they are not allowed into the restaurant. Is it time to reconsider the judgment that we should keep the press out of the restaurant area? I ask that question from a financial point of view and because members of the press apparently have copious sums of money to spend on food and drink.

Mr McNeil: General issues are involved. The corporate body is addressing financial issues to do with how much should be spent on subsidising the various catering arrangements in the Parliament, from the coffee to the canteen area and the members' restaurant. We are aware that we must do something to make things cost effective and we will make proposals.

Although a case is being made that greater use of the members' restaurant would lead to a dramatic improvement in the financial situation, that is simply not the case. We have a subsidy; the irony is that the more people who take advantage of the subsidy the more the cost inflates. We have to use other ways and means of addressing the matter and we are considering them seriously.

11:00

Members of the press, like all pass holders, have access to the members' restaurant area.

MSPs have priority access on Tuesdays, Wednesdays and Thursdays, but all pass holders have access to the bar and restaurant area; the press choose not to use it.

Alasdair Morgan: I was not concerned before, but I am now. It sounds almost like Inverness airport: the more people who use the place, the worse off we are. You did not mean that, did you?

Mr McNeil: No. Paul Grice will come in in a minute, but it is a simple fact that we as an employer and as a provider of facilities in this public space decided some time ago that there would be a level of subsidy in the catering areas. The tea and coffee that you get anywhere in this building have an element of subsidy.

Alasdair Morgan: Which is, in effect, per cup. That matters, because if there is a fixed sum, the more that is sold, the less the loss, but if there is a per unit subsidy, the more people who use the facilities, the more we pay.

Mr McNeil: Paul Grice can deal with the detail.

Paul Grice: Duncan McNeil is right: it is not as simple as saying that having more people use the facilities will reduce the running costs. First, I echo what Duncan said: the Scottish Parliamentary Corporate Body is focused on running costs, one of which is the cost of catering, and has put a lot of effort in and commissioned a lot of work from officials on that issue, because it is complex. The way that we support running costs and the current structures required careful examination. I hope that the committee will understand that I cannot pre-empt the final decision that will be taken by the corporate body. The corporate body will want to announce its decision in due course. It has looked closely at all the costs associated and the prices charged and will come forward with ideas as to how we can reduce them. Clearly one wants there to be high usage of the areas but, to echo Duncan McNeil's point, high usage of itself does not necessarily reduce the cost. The corporate body has considered the pricing structure as well as other issues. A package of measures is required, which is how the corporate body has approached the matter.

The Convener: I have a question about snagging. You claim in the report that there are 840 snags outstanding, which is remarkably precise. One of the problems that have surfaced is the level of heat in the building. How much is that a snagging issue and how much is it a design issue, which might need to be reconsidered? Should there be air conditioning for example?

Paul Grice: It is not really a snagging issue. There are one or two snagging issues involved, for example with some of the windows. As you know, the Parliament was designed as a low-energy building, which means that there is no mechanical

ventilation, and it requires a natural air flow. This week in particular I have facilities management out working intensively with members in the MSP block to ensure that we use the building properly and maximise opportunities, because certain things will help air flow. At the end of that process—which we need to give the most time we can to work—we will consider other matters.

Part and parcel of having a low-energy building is that we will get a wider range of temperatures than we would get with an air-conditioned building. The design intent is that we will get a natural air flow. I want to give that the maximum opportunity to work. We accept absolutely—and this is not restricted to members—that some areas of the building are hot and uncomfortable and we are obviously not happy with that. People must have a decent working environment. We are trying to work with the building to get it working to its maximum capacity. If that were still not good enough, then of course the corporate body would be prepared to consider other measures. However, we would be reluctant to compromise significantly on the low-energy approach that we have made a great deal of and which remains our ambition. However, of course that has to be balanced with providing members, their staff and parliamentary staff with a decent working environment.

Given that this is the last week before the recess, there is a big effort this week to try to work with members to ensure that we have extracted the maximum amount of data that we can. If that process proved to be unsuccessful or unacceptable, then the SPCB would be prepared to look at other measures. However, I could not say at this point what those would be.

The Convener: The difficulty, of course, is that if you cannot get the information this week that you require in order to make progress, we will not have the building in full use thereafter to make the proper assessments. Therefore, I presume that we could go through the same period next year with relatively little change from the present. What measures do you think you will be able to take to address the heat issue before it recurs, presumably in early summer next year?

Paul Grice: I am told that our FM team will try to get round the MSP block this week. I am aware of the fact, of course, that members are around over the recess as well. However, this is obviously a good opportunity to do that exercise and we hope that we will gather enough data. Much of the process is about gathering data. However, although the heat of the building is a general issue, there are also specific issues in specific rooms. We are talking to members and their staff to try to understand what their issues are. There is also the consideration that individuals have

different comfort zones. Some people are reasonably okay with a warm temperature, but others are not. It is a personal issue and much of the process is about trying to understand that. However, I am confident that we will gather enough data.

I hope that well before this time next year we will have fully understood the building and got it operating as well as we can. I hope that that will be good enough to provide reasonable working conditions. If it is not, I am sure that by then we will have agreed with the SPCB any additional measures that we need to take.

The Convener: As the Presiding Officer's report says, I asked previously whether we could have more detailed information on the processing of final accounts. I should probably put on the record the fact that the committee would appreciate that further information in the spreadsheet that you mentioned. It would certainly be useful to get that in due course.

Paul Grice: I may be able to give you an update on that. As the Presiding Officer's report says, the first batch of final accounts has now come in. Bovis has promised us the next batch by around the end of this week. I agreed with colleagues this morning the format of a report to you, which we can adjust in the light of any comments that you make. We will get that to you over the summer when we have processed the latest batch of Bovis accounts. I hope that that will give you about 20 accounts to look at, which will be a meaningful number for the first time. That information will give you a package number, the name of the contractor, a description of the work, the estimated final cost and the agreed final account and will allow the committee to begin to track how we are getting on, which I know the committee is understandably keen to do. I would be happy to commit to provide that to the committee over the summer once we have processed the latest batch of final accounts from Bovis.

The Convener: That would be helpful. I wanted to ask another question about fees, but Jim Mather wants in on this issue.

Jim Mather: I want to follow up on what has been said. The report says:

"HPT is monitoring Bovis's performance closely against the revised programme."

Is anything being done differently now that you are getting to this stage? For example, are the timescales for review meetings changing?

Paul Grice: The one real change that we made—Graham Rennie can say more on this because it was done with his strong encouragement—is that we closed down instructions to Bovis on any additional works,

whether they were snagging related or otherwise, so that Bovis could concentrate on the final accounts. We wanted to give Bovis a clear run at it. We have done that and we agreed a revised schedule with Bovis that has monthly targets. We met in May and obviously there are a couple more days to go in June. My team met Bovis yesterday afternoon and got an assurance that Bovis would hit the June deadline as well. We are starting to see things coming through. The accounts are fairly historical; nonetheless, Bovis is beginning to hit the deadlines. There are signs of movement.

Obviously, I must remain cautious because we must hit all the deadlines to get the accounts moving. However, we have now also achieved practical completion, which was a major step forward. I know that the committee was interested in that. There are signs now that we are starting to hit deadlines. I will be interested, of course, in seeing how the final accounts span out. I am still getting reassuring views from the cost consultants, but until we have signed the final accounts, clearly we cannot be absolutely sure. That will allow us a tracking method.

My team is taking close order and is able to do that because less emphasis is on issues such as snags. We have lifted the level. Stewart Gilfillan, who is my director in charge of the matter, now has regular meetings with the managing director of Bovis. On both sides, we must focus on the matter. Like us, Bovis recognises that we must process the final accounts. Some difficult accounts will arise towards the end of the process, but we must get some through so that we can focus on them.

Jim Mather: You now have a monthly review sequence.

Paul Grice: Exactly—we have a monthly schedule.

Jim Mather: Is an end date envisaged?

Paul Grice: I think that the schedule runs to the end of this calendar year.

Mr Arbuckle: As we approach the first anniversary of taking over the building, are its revenue costs for heating, lighting and cleaning different from those that were expected?

Paul Grice: Those costs are broadly in line with our estimates.

Mr Arbuckle: There is no variation.

Paul Grice: It will take a full year to gather all the data and some ups and downs will occur. I expect to be in a better position to give a more precise answer when we appear before the committee to talk about our budget round. The committee took a close interest in the matter last time. I expect to be able to give precise historical

data and to look ahead to the 2006-07 and 2007-08 budgeting round to discuss our estimates with the committee.

The matter remains one of strong interest to me and the corporate body. The building is big and complex and the cost of running it is of considerable interest. The Parliament is a low-energy building not just because that is proper environmentally but because minimising the energy that we use has significant financial consequences, which is why we remain interested in sticking to that.

That is probably as much as I can say today. We would be happy to have more detailed discussion in the context of the budget round.

Mr Brocklebank: Are you in a position yet to provide a full and final accounting of the sums that went to the architect Enric Miralles and his widow, Benedetta?

Paul Grice: We could probably give a pretty accurate estimate of the fee that was paid to the joint venture company. Strictly speaking, it is for the joint venture partners—RMJM and EMBT—to say who got what, because a private agreement exists in the company. I cannot give a figure off the top of my head.

Mr Brocklebank: Will you report back on that?

Paul Grice: I could give the committee an idea. Dave Ferguson might have the figure to hand.

Dave Ferguson (Scottish Parliament Clerk/Chief Executive's Group): We can certainly provide the figure to the committee, although I do not want to publicise it at the moment. Members should be aware that until the project is completely finished, other costs are always likely. It is always possible that other work will be needed but, at the moment, no further costs arise from EMBT/RMJM.

Mr Brocklebank: Were the company's costs not capped?

Dave Ferguson: Yes.

Mr Brocklebank: Is it still clocking up costs?

Dave Ferguson: The costs are still capped.

Mr Brocklebank: Why would further work be done?

Dave Ferguson: More work might be needed to finish the work off. We might want EMBT/RMJM to do a piece of work for us that does not deal with a design fault but that relates to snagging, for example. That would be time charged and a cost would be agreed. That is minor, not major, stuff.

Paul Grice: We should be able to give the committee a reasonably good estimate of the global figure to the joint venture, if that would help.

The Enric Miralles and Benedetta Tagliabue proportion of that is a matter for that company.

The Convener: It would be useful to extend that to Bovis and to have a sense across the board of where the capped-fees figure has been held to and how much additional work has required to be undertaken.

Paul Grice: We are in the middle of one or two negotiations. When they are concluded, I will be happy to try to give a report. In the case of Bovis, the bulk is site organisation costs, but a fee element is involved. I would be happy to give the committee a note on that. Davis Langdon is also involved in that, so we will include it for completeness.

Alasdair Morgan: My question is about the continuing work that impacts on the building's appearance, such as landscaping work and some of the scaffolding, which I presume is for remedial work. Some of that seems to have gone on interminably, in comparison with what we were led to expect was the completion time. Has that extension of time had cost implications for us?

11:15

Graham Rennie (Holyrood Project Team): Any scaffolding that is here for remedial works is paid for via the trade contractors whose remedial work is being undertaken, so the answer is no. Most of the scaffolding that remains runs around the canopies and the landscaping. That is finished with for construction works but will be there until the end of the G8 summit.

Paul Grice: Given that the time was nearly up and that I was aware from other responsibilities that the police would take some measures, I agreed that it was sensible to run the two elements together. Members should therefore expect that immediately after G8 finishes, all that scaffolding will come away and the whole landscaped area will be available for public and other use for the remainder of the summer.

The Convener: Are direct costs to the Parliament associated with the security arrangements—particularly the fences outside Queensberry House and some other installations? If so, will you quantify them?

Paul Grice: I understand that Lothian and Borders police are meeting the cost of the fence and the general policing arrangements.

The Convener: About nine months ago, there was some controversy about the external element of claims management or claims investigation and assessment. How has that worked? Are you satisfied that the arrangements that you put in place have been effective?

Paul Grice: That has two streams. On the executive side, we have brought in an external claims specialist, whose appointment has worked extremely well. He has much experience and I have come to value his expertise. As he came new to the project, he brought a fresh eye, which was helpful in combination with the contribution of colleagues who have been on the job for a long time. He has helped us to set the strategy and will review the big packages—the 10 packages with the highest value. His advice was to start where the money has gone. He is working on that and is in the middle of that process, which is going well.

The other element is the post-completion advisory group, which Dave Ferguson chairs. That has helped to set the strategy and will be a sounding board. Hitherto, the group's job has been to set the strategy, but now that final accounts are flowing through, we will use it to ask questions. I attended a bit of the group's meeting last week, when the project team gave a presentation on final accounts. That was a good opportunity. It was helpful to listen to a range of professionals asking questions and helping the understanding of the final accounts process. That is working well, but the bulk of that group's job is to come, as final accounts flow through. As we hit the 10 or so big final accounts, I expect the post-completion advisory group to continue to perform its role, which is to make comments and to advise me or the corporate body. I am reasonably happy with that.

The Convener: We have completed questioning, so I thank the witnesses for appearing. We look forward to seeing you again in a few months' time.

Mr McNeil: I do not know about that.

Paul Grice: I do not know whether you are looking at Duncan McNeil or me, but thank you.

Efficient Government

11:19

The Convener: The fourth agenda item is to report on our recent site visits for our efficient government inquiry and to note and discuss if necessary a short briefing paper from Arthur Midwinter and correspondence that has been received from the Minister for Finance and Public Service Reform.

Before we discuss the site visits that we made last week, I will clarify a matter. Forth Valley NHS Board, which committee members visited on 7 June, has been in touch with us to clarify the position that it outlined to members on procurement. In the *Official Report* of our meeting on 14 June it is said:

"The health board could see no further benefits from linking its purchasing with that of other public bodies, because many of its requirements are specialised."—*[Official Report, Finance Committee, 14 June 2005; c 2687.]*

Forth Valley NHS Board would like us to record that it works with other public sector bodies and that it regularly meets councils, the police, the Scottish Environment Protection Agency and Scottish Enterprise. The board sees limited opportunities with them, but it shares when there is benefit in doing so. For example, in that regard, the board is considering facilities and estates expenditure; it has also participated in a Scottish Executive e-auction for personal computers. However, it is true that the bulk of the board's requirements are specialised. In relation to those, it works with other health boards under the best procurement implementation programme.

That was just a bit of clarification. Alasdair Morgan will now give his report on the visit to Scottish Natural Heritage.

Alasdair Morgan: On 28 June, Andrew Arbuckle, Ted Brocklebank, Elaine Murray, Ross Burnside and I visited Scottish Natural Heritage, the offices of which are currently in Edinburgh. We met the chief executive, Ian Jardine, and other staff, whom I thank for their co-operation.

SNH has been asked to find £2 million of recurring efficiency savings by the financial year 2007-08, against the background of a budget of £61 million. However, in that period, the present budget will rise to £69 million, which will make it more difficult to show the efficiency delivery, because the organisation will have to show that the £2 million saving has moved from one part of the budget to another and, I presume, from support services to direct services. SNH has set up an internal audit process to assess whether genuine savings have occurred and whether the

money has been redirected in a way that would not have happened anyway as a result of the £8 million increase in the budget.

SNH told us that it has always had efficiency plans, which in the past have produced savings of about £1 million a year, although they have not always been cash-releasing savings, which are the type of savings that we are talking about at present. SNH felt that the new targets will make matters more difficult and that it will have to work harder to produce the savings. Savings could be made as a result of opportunities that arise out of the relocation of the organisation, which will increase the number of people who leave. It was stressed that no specific posts have been identified yet, but about 36 posts might go.

The organisation feels that there is scope for joint working with other bodies that are sponsored by SNH's sponsoring department—the Scottish Executive Environment and Rural Affairs Department—for example, to share offices, procurement or information technology facilities. Interestingly, that has not really been done in the past, but it is now felt that the lead from SEERAD on the idea will make it happen. We were told that SNH might be able to merge some of its existing contracts, for example on mobile phones, into single suppliers. Another way in which savings could be made relates to IT. In the past, when various IT operations have been set up, an interface between them has not necessarily been put in place which, I must admit, struck me as a little strange. It is felt that there is scope for introducing such interfaces, thereby freeing up staff time. When we asked whether all those measures would have been taken in any event, we were told that they would have, but that the efficient government plan had created more pressure, which was a good thing. However, the encouragement to work with other bodies within SEERAD is new.

Given that SNH will retain the £2 million, once found, we asked where it will go to. We were told that, in effect, it will be spent on dealing with new legislative requirements on the organisation, such as the requirement to create the Scottish biodiversity strategy. When we asked how SNH will demonstrate that efficiency savings are being made, we were pointed to the audit operation that has been set up. To quote, we were told that the organisation needs to create a "credible storyline". I am not sure whether in retrospect that is the phrase that the organisation would want to use, but SNH will have an audit trail to show that savings have occurred. The body's internal audit department is involved in all discussions on the matter.

Although the relocation to Inverness is not part of the efficient government programme and is to

be funded by a totally separate grant, it is going on at the same time. We were told that, of the 260 staff who are based in Edinburgh, 200 have refused to move, 35 have confirmed that they will move—although that may increase to about 40—and the remainder will leave via natural wastage. It is anticipated that, as we heard earlier, the relocation to Inverness will cost about £27 million in the short term, although SNH is not yet clear about how much it will get for the buildings that it owns in Edinburgh and Inverness. Clearly, the amount will depend on the planning consents that are available for replacement uses, but SNH hopes that at least £2.6 million will come from that.

The Convener: Do the other members who were on the visit wish to make additional comments?

Mr Brocklebank: It struck me that, given that SNH is getting rid of two buildings in Edinburgh, that estimate of £2.6 million is remarkably low. Alasdair Morgan is right that SNH stressed that the figure was pitched low because it is not known what planning applications may go through—certainly the building that we visited is listed—but even so, it seems that the figure is pitched very low.

The Convener: I will report on the visits to Scottish Enterprise and Glasgow City Council on Tuesday 21 June, which I carried out with Wendy Alexander, Frank McAveety, Jim Mather, our adviser, Arthur Midwinter, and our senior assistant clerk, Judith Evans. We are grateful to both organisations for their hospitality and their open responses.

Scottish Enterprise claimed that its business transformation project has delivered average year-on-year efficiency savings of 5 per cent, which it has reinvested in front-line services while maintaining, or improving on, target delivery. Staff numbers have reduced by about a quarter over the period of that project. However, it should be borne in mind that significant investment was made in Scottish Enterprise to deliver the savings, so they must be balanced against that. We must also consider the figures carefully to avoid any prospect of the numbers being rolled up. Scottish Enterprise's experience is that accurate baselines are critical to the process, particularly in measuring time-releasing savings. That raised concerns among members in the light of the delay in the production of the Executive's efficiency technical notes on such savings.

Scottish Enterprise argued that focused and knowledgeable leadership is vital to the process. The organisation has used consultants to fill gaps in the knowledge of senior management and it now seeks to use that knowledge to introduce further developments. Given that similar gaps in corporate governance and change management

expertise may exist throughout the Scottish public sector, the efficient government unit should perhaps consider ways in which the gaps can be addressed—perhaps organisations that have gone through the process could transfer their expertise elsewhere. Discussions about the potential for sharing support services are on-going. Scottish Enterprise is actively addressing that issue with other bodies.

Glasgow City Council has undertaken a range of efficiency reviews throughout its organisation and has initiated significant staffing shifts and shared use of human resources services, which have resulted in the redeployment of about 100 staff within the organisation. Concern was expressed about the sustainability of redeployment in the longer term. It was noted that the costs that are associated with, for example, retraining people for front-line services such as teaching tend to be high.

The council reported a lack of clarity about the extent to which savings that arise from efficient government fund and procurement initiatives can be retained for reinvestment in the council's budget. The council has saved about £20 million per annum for the past five years through such exercises, all of which it has reinvested. However, the Executive's requirements lack clarity. The council also reported that it did not receive information from the Executive on the exact level of expected savings until after it had set its budget for the year, which was a difficulty.

Finally, the council expressed concern that the Executive was in the process of consulting on whether grants from the efficient government fund should be repayable. That is an issue that the committee might wish to take up.

11:30

Some general issues also came up. It was suggested that the Executive's definition of efficiency savings does not capture the full range of work by public sector bodies in analysing work processes and redirecting funds to key priorities. It might be helpful to have more discussion of what precisely constitutes efficiency savings and a broader discussion of the processes that are associated with developing efficient ways of working. In that context, the knowledge transfer between public sector bodies seems to have been largely ad hoc and based on personal contacts. As I said when talking about Scottish Enterprise, the Executive's efficient government unit may have a role in extending and formalising arrangements.

Unsurprisingly, cultural issues are more difficult to address than processes. The key drivers appear to be the motivation to do the right thing and the desire to avoid the potentially unpleasant

consequences of a lack of action. The importance was stressed of being able to get quick wins and of being able to demonstrate the benefit of efficiencies not only to budgets but to staff, the public, customers and clients.

The issue also arose of whether, as people go further down the route of finding efficiencies, it becomes more and more difficult to find them. Local government felt that it had been driven down a path of seeking efficiencies over an extended period and that it would therefore be less easy to secure benefits in future.

Scottish Enterprise reported that robust monitoring processes are essential for success. Meanwhile, Glasgow City Council reported that there is as yet no agreed reporting mechanism for local authorities and no target date for the completion of an agreed mechanism. Glasgow City Council has therefore developed its own mechanism. Some concern was expressed that other local authorities should be working on developing similar processes.

Effective government arrangements—including agreed targets and individual responsibility for delivery—played a key role in delivering efficiencies. That ties in with what Professor Michael Barber said in his presentation to the committee earlier in its inquiry. We will want to look into that.

The report of Glasgow City Council's finance director, setting out how efficiency savings were to be achieved and what their impact would be, seemed to Arthur Midwinter and me to represent good practice. I propose that we circulate Glasgow's documentation to all councils and health boards and ask them to send us their versions.

That is all that I wish to say. Do any members wish to add anything to my report?

Jim Mather: We discussed the possibility that the moves to rationalise and streamline Scottish Enterprise were not radical enough and could be even more radical. We also discussed the possibility that the streamlining of procurement could in fact have a perverse outcome and could damage Scottish economic growth. There might be scope within procurement to help Scottish businesses. Perhaps joint ventures among Scottish businesses might sharpen a product that could then be sold to a wider community.

There was disappointment with the answer to the question on when the transformation process would result in an improvement in Scottish competitiveness. The committee was told that it would be 10 to 15 years before we knew. The word "disappointment" is a euphemism.

The Convener: We will note all our reports and move to the second section of this agenda item, which is to consider Arthur Midwinter's briefing paper on which savings have been included in budgets and which have not. We are grateful to Arthur Midwinter for shedding light on difficult issues. We can also consider correspondence from the Minister for Finance and Public Service Reform. Members will note that the clerks sought clarification from the Executive and Audit Scotland. That additional clarification is contained in the cover note that goes with Arthur Midwinter's paper and the correspondence with the minister.

Do you wish to add anything to what is in your paper?

Professor Arthur Midwinter (Adviser): I would welcome the chance to say a few words—because of the speed at which things are changing, the correspondence that is going on, and the numerous comments in the press. I hope that members will find it helpful if I take them slowly through my report and through some points that I would like to make about the minister's letter.

My report distinguishes between what I would call cash reducing and cash redirecting. The report further confirms that there is an even greater disadvantage to local government. Two thirds of cash-reducing savings—money that is lost from the budget—has been lost by local government, with 33 per cent of the Scottish budget. That issue is touched on in the minister's letter. I want to say something about that and about the minister's response on the measurement of growth in output. The area is complex; if members wish to interrupt as I go through it, please do so.

The committee should not be misled by the assertion that local government's share of the savings is only 22 per cent. That is a transparent case of statistical spin, which has been achieved by including £600 million of unidentified savings in productive time with the existing cash savings. Those cash savings are all that we have looked at up to now. We do not know what the £600 million savings will be. All our discussions with the Executive have been to do with the £900 million target for cash-releasing savings. To include that £600 million is not defensible.

Local government has had a disproportionate share of cash-releasing and cash-reducing savings. That is the issue. Indeed, when Dr Andrew Goudie, the head of the Scottish Executive Finance and Central Services Department, spoke to the committee in November, he said that it was important to compare like with like. To include productive-time savings that are not yet identified is not good practice.

Dr Goudie said that ministers had been focusing on the robustness of cash-releasing proposals. I

agree that we should compare like with like. We should not obfuscate the situation. I am sure that, if it was allowed to do so, local government would willingly exchange £200 million of cash reductions for the softer targets of productive-time savings.

I want to make a brief comment on the remarks of the president of the Convention of Scottish Local Authorities on my most recent report for the committee, which were issued in a press release that I regard as being partisan and containing uninformed criticism. Mr Watters claimed that the efficiency targets for local government are not based on guesswork. Mr Watters must have access to a different set of efficiency technical notes from mine and the committee's.

The financial assumptions that underpin the targets, and the consequences of meeting those targets, are still unclear. It is one thing to support the principle of improving the efficiency of the public sector, as the committee has always done—indeed, it has encouraged the Executive to take the same approach—but it is another thing to suspend critical judgment on the practice. COSLA's support for the Executive's approach is at odds with the serious concerns that have been expressed to the committee by other council leaders in meetings. The picture that we get from them is different from the picture in Pat Watters's remarks. Concerns are still being expressed about the impact of cash reductions on services, jobs and council tax levels. People are still concerned that they will not be able to achieve 2.5 per cent even when they have made fairly substantial savings. The reality is that local government has had to bear a disproportionate share of cash savings. However, that is only consistent with its declining share of the Scottish budget since devolution.

Another point concerns the minister's explanation of the 5 per cent growth in output. The explanation is complicated and comes at a time when the Executive has published its response to the Atkinson review. I will try to explain things as simply as I can.

We asked how the 5 per cent growth target was arrived at. The target was for a 5 per cent increase in what was called "frontline public services". For the benefit of members who are being pushed by the press to comment on this, I should say first that the current coverage of the efficient government issue in *The Herald* is not by the paper's parliamentary correspondents, who have reported developments accurately and diligently. The coverage is by a journalist called Martin Williams and is described, pretentiously, as the annual "public sector audit". It attacks the Executive for not delivering what the efficient government initiative was never intended to do, which is to cut back the size of the state. Nothing

in our documentation about efficient government suggested that the exercise was intended to do anything other than to redirect resources in the public sector. I am aware of no statement from the Executive that the efficient government initiative was an exercise in cutting the state or bureaucracy.

The efficient government initiative is concerned with improving the productivity of the public sector; it is not concerned with its size. We need to make that clear. Mr Williams's figures are repeated today in the letters column—11,000 jobs at a cost of £1 billion would work out at 100 grand a head. I do not know many public sector workers who receive 100 grand. The average income of workers in Scotland is about £20,000. As opposed to being based on the actual costs, the figures have been arrived at by dividing the growth in the salary budget by the 11,000 extra staff. Those figures are wrong and should be corrected.

That brings me to Mr McCabe's response to the convener, which—although members might not think it—is linked to that newspaper coverage. The minister's response to the query about the 5 per cent output growth is, in my view, inadequate. He offers the national accounts approach, which the Atkinson review has been trying to revise. Amendments have been made to the way in which public sector output is measured in Whitehall, but they have not been implemented in Scotland where we still use the conventional index of input equals output—the cost of the inputs is the value of the outputs. In the public sector, one moves to the price as charged as the value of the outputs.

That means that we are not talking about budget outputs, which is what concerns us. The national accounts approach is an aggregate measure for economic performance; it is not a suitable measure for our purpose. The Atkinson review report says that the national accounts approach seeks to

"aggregate indicators that can form part of the National Accounts, not complete tool kits for the management and audit of government activities."

That is the exercise in which we are engaged. Atkinson recognises that national accounts estimates are macroeconomic in focus and should not be used to measure Government performance and service delivery, which are separate, although related, issues as regards the problem of measurement.

The Executive is still using the model of input equals output. If one applies that model to the 5 per cent figure and the impact of the efficient government initiative, the minister appears to say that the 3.5 per cent real growth has been added to the £1.5 billion of savings to deliver the 5 per cent growth in public sector output. The problem with that is that, because of the way in which the

national accounts model measures output, the £1.5 billion will add nothing and its effect will be totally neutral because input equals output and all that the Executive would be doing would be redirecting the money. The minister did not answer the question.

As we have a new committee member, I restate that what we need is a baseline of outputs for the service in the most meaningful sense with regard to teachers, policemen, social workers, the number of crimes that are dealt with, the number of students who are taught, or whatever. We need real output measures that are relevant to the savings that we are talking about, not an aggregate figure that has been produced for another purpose. The committee and Audit Scotland have both pointed out that we need cash baselines for the savings and output baselines for the impact on redelivery.

I am sorry that that took so long, but I felt that I needed to go into the details because of what was in the correspondence.

Dr Murray: In your helpful update, you distinguished between cash-releasing and cash-redirecting savings. You say that £319 million is for cash-redirecting savings, because it is the money that comes off the budget. Where does the £411.7 million come from and how does it relate to what the Executive said? I do not have the efficiency technical notes with me.

11:45

Professor Midwinter: I have given you an update on my previous report, in which you might remember that I discounted the £90 million from Scottish Water as not being part of the departmental expenditure limit; that is why my totals differ from the Executive's. If the savings are not in the DEL, they cannot be redirected therefore they do not count and should not be included.

The £319 million is made up of the £201 million from local government, the £90 million from health and other small amounts, such as the £10 million from prisons. The £411 million to £412 million are targets that the partners are free to retain and redirect. In some cases, the cash has been lost; in others, it has been left with departments.

The Convener: You mentioned prisons. The head of the Scottish Prison Service, Mr Cameron, said recently that the efficiency savings could be achieved only through looking at potential privatisation. Is there any basis for that in the figures that you have in front of you?

Professor Midwinter: I read those comments, which were surprising. There is no mention of that matter in the efficiency technical notes. The notes suggest that a review of current practice might be

necessary and that that would be dealt with slowly and in negotiation with the union, in the normal way. The technical notes do not mention privatisation, and I am not sure that the idea is consistent with the notion of an efficiency saving as defined in the current exercise.

The Convener: What about the volume of cash that the prisons have received in the current spending review period?

Professor Midwinter: There has been a significant increase in the prisons budget in the current spending review—I think that it was 29 per cent over three years. That makes it a little difficult to be convinced of such a statement without having further evidence that privatisation might be necessary.

Alasdair Morgan: In that context, the Scottish Prison Service has met its output target. I presume that it has grown by more than 5 per cent a year on that basis.

The Convener: I assume that you mean in the numbers of prisoners.

Alasdair Morgan: Is the implication that the 5 per cent target from the efficient government document kicks in right away? That would be 5 per cent in year 1, which would be compounded in year 2 and so on.

Professor Midwinter: Yes. It is difficult to judge, because the Executive has not answered the question properly. The earlier efficient government document to which you referred says that the 5 per cent comes from the real growth in the spending review plus the efficiency savings. I was confused when the answer came back from the Executive that that was based on the national accounts model, because I could not see how the £1.5 billion could be taken into account. We need to clear that up, but the assumption is that there will be 5 per cent growth a year over the three years.

Alasdair Morgan: Is that 5 per cent each year?

Professor Midwinter: Yes. I would expect to see 5 per cent growth in outputs as opposed to a cash fix.

Ms Wendy Alexander (Paisley North) (Lab): I have a question about process for the convener and then two questions about the detail for Arthur Midwinter.

The clerk prepared a helpful note on process, which asked where we are a year on from the publication of the spending review. We expected the efficiency technical notes some time in the autumn, as was comparable with what happened elsewhere, and we are now three months into the period in which the savings are meant to be made.

We have neither a baseline for the cash savings nor a baseline for the time-releasing savings. The letter from the Executive is disappointing; it does not even give us a timetable for either the cash baseline, as agreed after discussions with Audit Scotland, or the publication of the time-releasing savings. I seek the convener's guidance on whether it might be worth simply writing to the Executive to say that we regret the fact that three months into the three-year savings period we do not have an agreed baseline for either element of those savings.

Perhaps this is a question for Audit Scotland, as the convener mentioned: how is it possible to audit time-releasing savings if the baseline is not established in advance? I genuinely do not understand that. Last week, we heard from Scottish Enterprise that it is not possible. I am not an expert on the issue, which is clearly a matter for Audit Scotland. Is it possible to audit time-releasing savings, if three or four months into the process the baseline is not established? I see from the minister's letter that less than half of the efficiency technical notes for time-releasing savings have gone to Audit Scotland. That is the only issue that I want to raise about the process. I seek guidance from the convener on whether it is worth our sending a letter asking whether there is a timescale for the publication of the baseline for either dimension of the planned savings.

The Convener: From the final paragraph of my letter of 25 May, you will see that I have asked when information will be made available to us. I anticipate that, following today's discussion, we may send a further letter to the minister. I am sure that that will include a request for information. We may also express concern about the speed at which information is being made available.

We have identified the baseline as an important issue. However, when seeking a baseline, which we absolutely require, we need to be able to convince the Executive that a baseline is necessary for it to be able to conduct the exercise. We need to become involved in a process of constructive engagement and to ensure that we are not just checking that the Executive has done what it needs to do. We must continue to engage positively with the Executive, as we have done until now, to ensure that it gets the benefits that we all want.

Professor Midwinter: When Susan Duffy and I met the efficient government team, we asked it specifically about how baselines for outputs will be developed. The minister's letter suggests that the Executive will correspond directly with us on the subject. It can be in no doubt that we regard baselines for outputs as crucial. I was interested to see that the Treasury's efficient government technical notes guidelines stress the need for

clarity on baselines. I do not think that that point is made in the guidelines for Scotland.

Ms Alexander: The minister's letter states:

"The targets were based on what was achievable in each sector, not allocated on a pro rata basis, and as health and local government are the biggest providers of public services ... it is understandable that they potentially have most scope for making efficiencies."

Health and local government have the most scope for making savings in cash terms, but an interesting divergence in approach has emerged. We now know that the choice has been made that less than 1 per cent in savings should be sought from the interesting triumvirate of the enterprise, environment and transport portfolios, whereas more than double that percentage should be sought from the health, local government and justice portfolios. Clearly, that is a choice. We have not had the chance to have a dialogue about why it is appropriate for double the percentage of savings that are sought from enterprise, environment and transport to be sought from health, local government and justice. The pro rata approach of asking every department to aspire to the same target has been taken elsewhere. I am happy to leave that issue on the table for the next time that we take evidence from the minister, once the time-releasing savings have been published.

The Convener: When the minister was last here, I asked him specifically why some departments appeared to be getting off more lightly than others. I am not sure that we were given a clear response, but I have been conscious of the point that Wendy Alexander makes and have made it to the minister.

Ms Alexander: My final point is a question to Arthur Midwinter. The paper that you have submitted to the committee today contains some new and interesting information. You refer to savings being "built into budgets", which effectively means that they have been top-sliced. As the paper explains, those savings are not available for redistribution in the budget from which they come. We are now clear about the fact that, of the £740 million of cash-releasing savings that the Executive has specified and that we know about, £319 million is being top-sliced. Of that, £291 million is being top-sliced from health and local government, so 90 per cent of the top-sliced money that cannot be spent in the same budget will come from those two areas. Has any explanation been offered in discussions of why 90 per cent of top-slicing should be in health and local government and only 10 per cent should be in all other portfolios?

From discussions that we have had, it seems that there is an appreciation in health and local government that we need to move resources from the back office into the front office. However,

people do not want resources to be moved from their back office into someone else's back office or front line, if those resources are top-sliced. Has there been any discussion of why 90 per cent of top-slicing is in health and local government, whereas in general other departments seem to be able to hold on to their efficiencies and to redistribute them internally towards the front line? Do we have any indication of what is driving that decision?

Professor Midwinter: No. It is suggested in the correspondence that the top-sliced money has been reallocated to other Executive priorities. It would be useful for us to know where the money has gone, but we do not know. I think that it became part of the pot that was available for allocation, along with growth moneys. The Executive has not yet been able to say to us where the money went.

Ms Alexander: If we know that £319 million has been top-sliced back to the centre and that £291 million of that sum came from health and local government, it would be appropriate for us to find out where the £319 million went.

The Convener: We could pick up on the point that Arthur Midwinter makes in paragraph 6 of his report. We could ask the Executive where the money has been realigned within portfolios and, generally, within programme budgets and to demonstrate the extent to which it has been realigned towards front-line services.

Ms Alexander: Given that we are three months into the period of the review, I presume that such decisions have already been made. Perhaps the money is still lying at the centre, but it should be possible for us to get a relatively early response from the Executive. As the money has been reallocated, we should ask the Executive, for reasons of transparency, to tell us where it has gone. Some of it may have gone back to health and local government, but we cannot know that until the information is published.

Alasdair Morgan: I do not know whether I want to say this any more, but is it the case that organisations that are more obviously likely to find procurement savings have been targeted with the biggest cash savings?

Professor Midwinter: No. Procurement is included under cash-releasing savings, but it is not included under top-slicing. When we visited Glasgow City Council, we found that its savings total of £20 million included about £4 million on procurement. For practical purposes, the council was using procurement as a way of reaching the target for cash savings, rather than in order to realign money to services.

The Convener: The council was referring to its target, rather than the Executive's.

Professor Midwinter: Yes, but its target just happens to be in line with its £20 million share of the £168 million in savings that are expected from local government.

Mr Brocklebank: I have a brief technical question, which may have been answered. When some of us were preparing our speeches for last week's debate on efficiency, we were slightly thrown by the fact that Tom McCabe's letter indicates that the health portfolio is now expected to contribute about £525 million of savings. We had always expected savings to be in the region of half that amount. I gather that the figure to which he refers includes time-releasing savings. Is that correct?

Professor Midwinter: I guess so, but we have received no information.

Mr Brocklebank: Is this the first time that you have seen the figure?

Professor Midwinter: Yes. The minister says that

"these revised figures are not yet in the public domain",

so we have not been told about them. I assume that the figure for health includes some time-releasing savings, but there may also be further cash-releasing savings.

12:00

Jim Mather: We have to try to encourage that out into the public domain. I would like to see a timeline, with the date and the cash-reducing and cash-redirecting savings that were allocated from particular budgets—later on, let us also see where they were redirected to.

Professor Midwinter: We have logged with the Executive our desire to know where the money has gone.

Jim Mather: Remember, the figure started off at £500 million. It then became £650 million and then £745 million.

Professor Midwinter: We will not get the final picture until all the time-releasing savings—

Jim Mather: We should ask the Executive how all of that has evolved and where it will eventually end up. I am totally with you on the baseline outputs, especially now that we have the additional moral authority of Audit Scotland's enthusiastic support for the concept. On Audit Scotland, is there anything that we can do to accelerate its scrutiny of the efficiency technical notes? Tom McCabe's letter says that it is

"unlikely that the Efficiency Technical Notes will be ready for issue much before the end of July."

Surely that means "not the end of July".

The Convener: To be fair, we pressed those issues with Caroline Gardner at our previous meeting and she assured us that Audit Scotland would turn the efficiency technical notes round as quickly as it could. Our encouragement should be directed towards the Executive rather than Audit Scotland in that regard.

Professor Midwinter: I think that July is optimistic.

Jim Mather: That is really what I am saying—I may not have expressed it all that well.

Ms Alexander: Audit Scotland said that it needed a minimum of eight weeks. According to its letter, it has six of the efficiency technical notes, so, as there are 13 departments, it has about half of them.

Dr Murray: I am concerned about the health portfolio comparison with local government that has been highlighted. I suppose that the question needs to be put to ministers whether, in making those comparisons, they are saying that local government will not be expected to make any time-releasing savings.

Professor Midwinter: I think that Susan Duffy asked the Executive about that in correspondence.

Susan Duffy (Clerk): Yes.

Dr Murray: Has it responded? Is it expecting local government not to make time-releasing savings?

The Convener: The response says that the Executive would hope for limitless savings.

Dr Murray: Professor Midwinter, you talked about wanting to see a 5 per cent growth in output. The Executive will make out that it has put in £1.5 billion to the input side. I understand your argument that that is not the way in which one would measure efficiency at the front line. Did you mean a 5 per cent growth in the numbers of police, teachers and so on?

Professor Midwinter: And crimes dealt with. The difficulty is that, conventionally, some people would regard staffing as an input, but in a large number of the local government services the staff are the service. The teachers and the social workers are part of the service—they are not just staff in the input sense. In the paper that Ross Burnside and I are preparing for the away day, we will consider whether we can develop a further list of the things that would make sense to us for the big services that are available. There is a lot of information on operations carried out and patients dealt with in consultation and so on, so we should be able to get staffing numbers and some measure of output. The Atkinson review has considered that as well, in trying to develop more service-related output measures.

Dr Murray: We are dealing with that rather than with a budgetary—

Professor Midwinter: Rather than with a cash figure. The great danger in using the national accounts approach is that, in the normal course of events, some of the 5 per cent growth may go on things other than output and services, such as staff costs. We need an accurate picture.

Alasdair Morgan: We cannot quantify time-releasing savings in terms of staff because, by definition, the number of staff will stay the same but those staff will have more time to do other things. There must be measures of output if we hope to measure time-releasing savings.

Professor Midwinter: I do not envy them their task.

Alasdair Morgan: I have a question about end-year flexibility, which was mentioned in Thursday's debate—I am conscious that this is the last time that we will have Arthur Midwinter in front of us. One of the points that the Government made was that this year's end-year flexibility is considerably less than it was in the previous few years. It struck me that this is the first year that we have had the central unallocated provision, which is £262 million. Does that in any way impact on the comparison between this year's end-year flexibility and that of previous years?

Professor Midwinter: I will have to check back and write to you.

Alasdair Morgan: That £262 million was clearly not around in previous years. I am conscious that it is money that is not voted on, so perhaps we could have it checked out.

Professor Midwinter: I will check it out. Should I pass the information on to every member of the committee?

Alasdair Morgan: Yes.

The Convener: There seem to be no further questions. I will respond to the minister's letter by asking for further information. We will trawl through the *Official Report* and try to formulate the questions to maintain our trajectory. We need to schedule a meeting with the minister in September. Ideally, the meeting should take place after we have had a chance to consider the time-releasing savings, so we do not necessarily want to ask the minister to the first meeting after the recess; we probably want to meet him when the information is available and Arthur Midwinter has had an opportunity to go through it.

Mr Arbuckle: If the report on time-releasing savings comes out during the summer, can it be sent to the committee?

The Convener: Members will get the information as we receive it. However, it is

important that we scrutinise the information in a measured and proper way.

Professor Midwinter: I am aware that the draft budget will come out in September and I wonder whether the committee will want to see the minister twice or to have separate meetings for each subject.

The Convener: I do not think that we will see the minister about the budget until November, so we can take a wee bit of time on that. We will certainly want to see him before then on efficient government. I thank Arthur Midwinter.

Budget Process (Written Agreements)

12:07

The Convener: The fifth agenda item relates to revised written agreements on the budget process between the committee and the Executive, the Scottish Parliamentary Corporate Body and the Scottish Commission for Public Audit. Members have a paper from the clerk and copies of the revised agreements. As the paper says, the agreements were adopted in 2000 during the first session of Parliament. Since then, a number of changes have been made to the budget process, which means that the agreements have to be updated. The note gives an explanation of the changes that have been made. The Minister for Finance and Public Service Reform has signalled that he is happy with the revised agreements, as are the SPCB and the SCPA. I propose that members agree to adopt the revised written agreements. Are we agreed?

Members *indicated agreement.*

The Convener: As the clerk's paper says, I will have to lodge three motions to seek parliamentary approval of the agreements. That is likely to be timetabled for September.

Correspondence

12:08

The Convener: Item 6 relates to an e-mail that I received from Jim and Margaret Cuthbert—I believe that it has been copied to all members of the committee. It concerns an issue with which we dealt during our inquiry into Scottish Water. I am conscious that there have been some changes to the committee's membership since our inquiry, so I have put the item on the agenda to see whether members think that we should do anything further on the matter.

It might be useful if I say something about the correspondence. The Cuthberts' e-mail says that, because the majority of committee members placed a great deal of weight on the letter from the Treasury, the committee should reconsider its conclusions.

I have two points. First, I do not think that the letter from the Treasury was particularly significant. It was certainly not as significant as the Cuthberts imply. The evidence that the committee considered closely was given by Professor Arthur Midwinter, the Executive and other experts.

Secondly, the inquiry is closed. It related to a previous accounting period and a new regime is now in place for Scottish Water. The inference that the Cuthberts draw from the Treasury letter overstates its significance. The letter does not say that the Executive adopted a wrong practice; it simply defines the protocols in terms of Treasury and Executive responsibility. My inclination is to suggest that we note the e-mail from the Cuthberts. I am sure that Jim Mather will want to say something.

Jim Mather: I will not disappoint you on that, convener. The Treasury letter is significant. Sadly, Arthur Midwinter was wrong on this occasion. Against an absolute battery of facts from the Cuthberts, he defended the line more by assertion than fact. You might consider the subject to be closed, but the question remains whether we were given enough information at the time to clarify the position. There is also the question whether there is a need for a third-party arbiter to come to a conclusion on the matter.

The key issue is the response from Conrad Smewing of the Treasury, which categorically deals with the suggestion that the Treasury endorses the Scottish Executive's approach to setting the resource accounting and budgeting limit for Scottish Water—we have that in black and white. The Executive used the Treasury endorsement and rebutted the Cuthbert hypothesis purely by assertion.

The correspondence from the Cuthberts puts the committee in an interesting position. The

subsequent passage of time has produced data that are publicly available in the Scottish Water accounts and that very much endorse the Cuthberts' position and the position of the minority report. Over the three-year period, a simple calculation shows that the amount of borrowing that was there to be had was at least £350 million more than took place. Furthermore, a calculation of the end-year flexibility reports for those years shows that Scottish Water did not take up the sum of £374 million. Surely people can get their heads around that. Douglas Millican gave me a schedule that shows that, in 2002-03, 86 per cent of Scottish Water infrastructure was paid for by charges. In 2003-04, the figure was 90 per cent and, in 2004-05, it was 84 per cent.

There is a clear role for Audit Scotland in all of this. Given the way in which the issue was presented to the committee at the time, the good people around the table today might like to take the opportunity to change their mind on the issue.

The Convener: Let me make it clear. We will not draw different conclusions from those that we drew from the evidence at the time; it is not open to us to reopen an inquiry that is concluded.

Secondly, if an issue that arises out of the correspondence relates to the period between 2002 and 2006, it is possible that the Audit Committee might address it. However, as far as I can see, there is no locus for the Finance Committee to go down the route that is being suggested.

Thirdly, I remain fairly sure that committee members reflected on the balance of evidence that we took at the time and that they reached their judgment on a proper basis. Any implication that the committee did not look at all the information at the time is unfair. We looked closely and seriously at all the evidence and we did so in the context of an extended process.

I am sure that Arthur Midwinter's strong belief is that he was not wrong at the time. No doubt he could provide us with chapter and verse, but that would simply serve to prolong the debate. I propose that we note the correspondence from the Cuthberts and leave the matter there. Is that agreed?

Mr Brocklebank: Could we have Arthur Midwinter reiterate the situation as he sees it fairly briefly, given what has allegedly come to light in the new letter from the Cuthberts?

12:15

The Convener: I do not think that it is fair to Arthur Midwinter or to others to go through that process. The Cuthberts wish to pursue the arguments. If there is an argument to pursue, it is not an argument with the committee; it is an argument with the Executive. The argument can

be addressed, if that is appropriate, through the audit route if the Accounts Commission for Scotland or Audit Scotland wishes to take up the matter. I do not think that it is an issue for us. I propose that we simply note the correspondence.

Alasdair Morgan: I was not a member of the committee when it discussed the matter, nor did I read all the reports of the debates. I confess, too, that I have not read all the e-mails in the correspondence. When I got to

“RAB expenditure = $O + (I + y) + (D + y) + C - (R + 2y)$ ”,

I was reminded of my former maths professor saying “It is obvious that”, when what followed was anything but obvious.

I have read the letter from the Treasury, which is very carefully worded, as one would expect a letter from the Treasury to be. However, I felt a wee frisson of concern about why the specific wording had been chosen. I wonder whether we could simply copy that letter to the Audit Committee and say, “This is what we’ve got. Do with it what you will.” The matter is clearly no longer in our remit, given that it relates to the past and our inquiry is finished. We could pass the letter to the Audit Committee, which can decide whether it wants to consider the matter.

The Convener: We can certainly make the Audit Committee aware of the position. I do not think that it is for us to reopen inquiries that are completed or to deal with matters that, from our point of view, are time bound. That is not our role.

Jim Mather: The issue was enormously complex and two key things have happened since we finished our inquiry. We have received correspondence from the Treasury that—undoubtedly, to my mind—has had an effect, essentially diminishing the potency of its earlier statement. More important, we are now getting audit data from Scottish Water that support the Cuthberts’ assertion.

The Convener: To be fair, I do not think that the data do that. Moreover, if they are audit data, they are a matter for the Audit Committee, not for the Finance Committee.

Ms Alexander: I will try to be helpful. The letter that we received on 24 February 2004, which was sent from Mark Parkinson at the Treasury to David Reid at the Scottish Executive, confirmed that, in the Treasury’s view, the Scottish Executive had followed normal accounting treatment. I am happy to acknowledge that I believed—perhaps erroneously—that that statement covered both elements; I believed that it covered the accounting to the Treasury, in terms of departmental expenditure limits, and that it was a judgment on the Scottish Executive’s policy and control arrangements for Scottish Water. The clarification that has come from the Treasury says definitively

that the ambiguous statement covered the latter but made no comment on the former. When I read the letter, I believed that the statement covered both those elements, but it transpires that it did not.

Nevertheless, the convener is right to say that that was not the sole dimension of our considerations and that it is not a basis for reopening the inquiry. On reading the papers before I came to the committee today, I reached exactly the same conclusion as the convener: the matter is not for the Finance Committee. The issue that is raised is whether the Scottish Executive’s policy and control arrangements for Scottish Water in that period were accurate. That is an independent, free-standing issue and it is for the Audit Committee to decide whether it merits further investigation. I have no doubt that a variety of individuals here will want to pass comment on the issue to the Audit Committee. However, if we wrote collectively to the Audit Committee, that would imply a judgment that we simply cannot make.

We should simply say that committee members believed that the Treasury’s letter covered both elements but that it now appears that it did not. The matter is for the Audit Committee and individuals should take it to the Audit Committee. This discussion will be in the *Official Report* for anyone who wants to read it. It would be wrong for the Finance Committee to approach the Audit Committee on the matter. Our noting the letter is not dismissing it, but anything more than our noting it would be an attempt to prejudge an issue that we considered some time ago and reached a conclusion on. Committees do that all the time and other committees can look at those decisions if they need to do so.

If I were the Cuthberts, I would feel vindicated to receive such correspondence from the Treasury. However, that does not mean that the committee should do more than note the correspondence. In the open, democratic and transparent world in which we live, people can approach the Audit Committee, if they wish, and argue whether there is something worth looking at. It is not for the Finance Committee to do that.

The Convener: Okay. I again propose that we note the correspondence and view it as an audit matter that the Audit Committee can address, should it wish to do so.

We move to item 7, which is our revised submission to the Public Administration Select Committee. The item is to be taken in private, so the press and public—if there are any—should leave us.

12:21

Meeting continued in private until 12:29.

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