

FINANCE COMMITTEE

Tuesday 8 November 2005

Session 2

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FINANCE COMMITTEE

25th Meeting 2005, Session 2

CONVENER

*Des McNulty (Clydebank and Milngavie) (Lab)

DEPUTY CONVENER

*Mr John Swinney (North Tayside) (SNP)

COMMITTEE MEMBERS

Ms Wendy Alexander (Paisley North) (Lab)

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

*Mark Ballard (Lothians) (Green)

*Derek Brownlee (South of Scotland) (Con)

*Jim Mather (Highlands and Islands) (SNP)

Mr Frank McAveety (Glasgow Shettleston) (Lab)

Dr Elaine Murray (Dumfries) (Lab)

COMMITTEE SUBSTITUTES

Alex Neil (Central Scotland) (SNP)

Iain Smith (North East Fife) (LD)

Janis Hughes (Glasgow Rutherglen) (Lab)

*attended

THE FOLLOWING GAVE EVIDENCE:

Chief Superintendent Tom Buchan (Association of Scottish Police Superintendents)

Doug Cross (Association of Chief Police Officers in Scotland)

David Cullum (Scottish Parliament Directorate of Clerking and Reporting)

Stephen Fitzpatrick (Convention of Scottish Local Authorities)

Colin Fox MSP (Scottish Socialist Party)

Alan Garbutt (Glasgow City Council)

Councillor Alison Hay (Convention of Scottish Local Authorities)

Sir William Rae (Association of Chief Police Officers in Scotland)

CLERK TO THE COMMITTEE

Susan Duffy

ASSISTANT CLERK

Kristin Mitchell

LOCATION

Committee Room 2

Scottish Parliament

Finance Committee

Tuesday 8 November 2005

[THE CONVENER *opened the meeting at 10:09*]

The Convener (Des McNulty): Good morning. This is the 25th meeting in 2005 of the Finance Committee, which comes only a day after the 24th meeting in Elgin. We are definitely working for our money this week. I welcome the press and public to the meeting and remind people to turn off all pagers and mobile phones. Frank McAveety, Wendy Alexander and Elaine Murray were caught in a flash flood last night, so they are not with us today. Jim Mather will have to leave us at about 11.15. Mark Ballard has just arrived.

Police, Public Order and Criminal Justice (Scotland) Bill: Financial Memorandum

10:10

The Convener: The first item on our agenda is consideration of the financial memorandum of the Police, Public Order and Criminal Justice (Scotland) Bill. Today we will take evidence from two panels of witnesses. The first panel is from the Convention of Scottish Local Authorities and the second is from the Association of Scottish Police Superintendents and the Association of Chief Police Officers in Scotland. At next week's meeting, we will take evidence from Executive officials.

I welcome the COSLA witnesses: Councillor Alison Hay, COSLA's community safety spokesperson; Stephen Fitzpatrick, the team leader; and Alan Garbutt, who is a policy officer with Glasgow City Council. After they have made a brief opening statement, we will proceed to questions. It is good to see you again, Alison.

Councillor Alison Hay (Convention of Scottish Local Authorities): It is nice to see you again. Thank you for giving us the opportunity to give evidence to the committee. I do not plan to make an introductory statement. Our only interest from a council perspective is in the marches and parades side of the bill. We are happy to answer any questions that members have.

Mr John Swinney (North Tayside) (SNP): You made the point that you are interested in the marches and parades side of the bill and that you

are not concerned by any of its other financial consequences.

Councillor Hay: The marches and parades provisions affect our finances most.

Mr Swinney: Okay. Later this morning we will take evidence from representatives of ACPOS and other police organisations. The lion's share, if not all of the joint police boards' funding, comes from local authorities. Police officers have suggested to us that the cost implications of the bill are understated. That will raise an issue for councils, because they provide financial support to police authorities. In the dialogue between COSLA and ACPOS and other police organisations, has there been discussion of some of the wider implications of the bill?

Councillor Hay: Not that I am aware of.

Mr Swinney: In your submission, you estimate that the cost of the parades and marches element of the bill will be between £400,000 and £750,000. Why do you think that the financial implications of the bill are in that ballpark, given that the Government has suggested that it will cost £200,000?

Councillor Hay: We have based our estimate on the information that has been provided to us. According to the financial memorandum, the Government estimates that the parades and marches element of the bill will cost £200,000. It does not indicate where that sum came from. We have done a bit of work to see whether we can match that figure, but we have not been able to do so. Because of the work that we have done, we believe that the figure is more in the region of £400,000 to £750,000. It could even be a bit higher. We have a paper that provides a detailed explanation of how we came up with our figure. Unfortunately, it has only just come to hand—I received it last night—but we would be happy to leave it with the clerk.

There are different aspects of the issue. The pre-planning stage of marches will have to be considered carefully. Community consultation may mean placing advertisements in newspapers and staff going out to talk to organisations. As with all good things, we need to learn from the process. At the end of it, we will have a summing up, so that we can learn what has gone right and what has gone wrong. There are costs attached to all those stages. We have tried to illustrate that in our submission. We believe that our figures are justified, because we have gone into the issue in more depth.

10:15

Mr Swinney: You comment that the costs will relate largely to people and people time. Will local

authorities be required to recruit a new workforce with a new skill set to undertake the activity, will existing local authority personnel have to have their priorities redirected, or is the point simply that existing resources will not be sufficient to undertake the activity?

Councillor Hay: The point is that we do not have enough people to undertake the activity. We have staff who are expert on the issues but, if the measures go through as planned, we will not have sufficient staff.

Mr Swinney: You mentioned the different cost elements that you expect, such as community consultation and newspaper advertisements. Can you say what proportion of your cost estimate arises from people time and people resource and what comes from additional direct costs?

Stephen Fitzpatrick (Convention of Scottish Local Authorities): The costs will mostly be people related. We are not yet sure, but the administrative costs will probably relate mostly to the community consultation and communication element. The bill will place a duty on local authorities to undertake consultation, but it does not prescribe how that will be undertaken. Our concern is that, when the guidance is produced—a lot of work is being done on that—the costs may work out considerably higher than our present forecast.

The information that we have presented to the committee focuses on staffing resources. We have mapped what we know of how the guidance will prescribe the process against what we think the staff resources will be in the local authorities that will be most affected. As Councillor Hay said, we will leave a copy of that document with the committee. We have emphasised that the cost on local authorities will not be uniform, as the measures will have a disproportionate impact on the councils that deal with the highest number of the more difficult and contentious marches. We based our estimates on what we know of the processes that councils will have to go through, such as consultation, pre-planning and post-march debriefing.

Mr Swinney: Was there dialogue between COSLA and the Executive on the compilation of the figure of £200,000 that is in the financial memorandum?

Stephen Fitzpatrick: In fairness to the Executive, we have had a reasonably good dialogue on the bill generally and we have certainly talked about the finance. There is no question but that the Executive is fully aware that COSLA is not satisfied that the figure of £200,000 is sufficient. However, we have not discussed with the Executive how it reached that figure or the basis for it.

Mr Swinney: As the convener said, during the committee's meeting yesterday, we heard from the Minister for Finance and Public Service Reform, who has told us that, from time to time and on isolated occasions, local authorities can cry wolf about the costs that are involved in certain measures. What is your reaction to that dreadful insinuation?

Councillor Hay: There is a danger that he who cries wolf stops being listened to. However, we have done a lot of detailed work on the issue. We are aware that the measures will not impact on councils that do not have marches, but we concentrated on the authorities that, according to John Orr's figures, have a number of marches and we worked out our costings with the help of those councils. Alan Garbutt is from Glasgow City Council, which has 338 marches a year—the figure could be rising—and which has done work in the field. We are fairly confident that our figures are robust.

Derek Brownlee (South of Scotland) (Con): I am interested in the split between local authorities. We all accept that the prevalence of marches varies from area to area, but the measures have been presented as primarily relating to contentious marches, as Stephen Fitzpatrick said, or those that might be described as having sectarian origins. However, the analysis of processions shows that almost a majority of marches in Scotland were outwith that category. Certainly, I would struggle to think of any march in that category in the region that I represent.

In costing the bill, I presume that costs must arise from dealing both with non-contentious and with contentious marches. Do you have any feel for how the cost burden for the large number of non-contentious marches, such as local festivals and common ridings, compares with that for dealing with sectarian marches?

Councillor Hay: I will let Stephen Fitzpatrick answer that.

Stephen Fitzpatrick: We are aware of that issue. Another factor that will inflate costs for local authorities is the removal of the current arrangement whereby local authorities can exempt marches that are considered to present no threat to public safety. That exemption will no longer apply.

We have not sought to quantify all the costs because figures on the number of marches are not available for local authorities. Although John Orr collected figures, they related only to marches that were required to go through the notification process. The committee should be clear that our estimates are based on information that we have to hand. We want the committee to acknowledge that the measure will place other costs on local

authorities outwith the areas in west-central Scotland where the more contentious marches tend to take place. Undoubtedly, costs will accrue for councils such as Fife Council and City of Edinburgh Council. However, we have not necessarily included those costs in our submission because we lack robust evidence on which to base any figures. That means that we think that our submission underestimates the costs.

Derek Brownlee: If your figures, which are based only on marches about which you had information, suggest that the financial memorandum understates the cost of the measure by at least half and possibly by four times, does that mean that your figures for the cost that the Executive has underestimated could themselves be an underestimate, because not all the information was available to you?

Stephen Fitzpatrick: Absolutely.

Derek Brownlee: I want to pick up the point that John Swinney made about the financial settlement for local government. I suspect I may know the answer to this question, but will you confirm what the majority of COSLA members would do if they were confronted with an additional cost of £200,000, £400,000, £750,000 or more? Is that cost likely to be passed on to the council tax payer or to the march organiser?

Councillor Hay: We would need to look at our priorities. It would be naive to say that councils are not in a tough financial situation at the moment. The 2006-07 settlement looks likely to be the toughest that we have yet faced. We would need to look at the whole council set-up in the round. We would try our best not to pass the cost on to the public, as we do not like doing that. We would consider whether we could draw money from other areas of spending, but if we were ultimately faced with the unhappy task of passing on some of the cost, we would do so.

The Convener: I want to ask about special events that might be seen as unusual. For example, the make poverty history march in Edinburgh in July clearly required a considerable police presence. If such an event were to happen in the future, would it fall under the arrangements that are set out in the bill?

Stephen Fitzpatrick: Yes. I think that the process on how councils are to deal with processions will apply to all marches, particularly a high-profile and sizeable one along the lines of the make poverty history march. Considerable costs would accrue to local authorities from dealing with those kinds of events, which would certainly be covered by the bill.

The Convener: In the context of your request that the Scottish Executive provide local authorities with the cost of dealing with the

legislation, would mechanisms associated with the bill allow local authorities to claim for the special one-off costs of organising for and policing a demonstration of that kind? Would such claims go through the same mechanism or a separate mechanism?

Stephen Fitzpatrick: The bill does not provide for that. There is no guarantee that councils will receive the £200,000 that is identified in the financial memorandum. Ultimately, we would go through the spending review process or some other process to obtain that money. There is nothing in the bill to provide for that recompense to be made to councils.

The Convener: So local authorities could make a bid to the Scottish Executive for the costs of implementing the provisions, but there is no guarantee in the bill that the costs that a local authority incurs will be met.

Stephen Fitzpatrick: Absolutely.

The Convener: Do you have a recommendation for a formula for distribution for that resource, perhaps based on records of past marches that might have to be dealt with under the bill in the future? Is it going to be entirely ad hoc?

Stephen Fitzpatrick: Our evidence sets out for local authorities notional figures that are based on John Orr's figures for the number of marches. That is the most reliable indicator that we have of the volume and demand on individual local authorities. We do not propose that as a formula, but we would certainly be willing to address with the Executive the issue of how the money is allocated, whatever the final total is. That would seem to be the most sensible way forward.

The Convener: I am interested in the mechanics of that. Might a payment under grant-aided expenditure be made to councils on the basis of anticipated numbers of marches, or is it that every time there is a march for which a qualifying payment might be made, the council will have to make a separate application to the Scottish Executive?

Councillor Hay: If you are indirectly asking me about ring-fencing, COSLA's position is that we do not like to ring fence money, but we would like it to be targeted at the areas that are most affected by the marches, based on the evidence that we have in front of us.

The Convener: I am assuming that you do not have an in-practice agreement with the Scottish Executive for how the money would be allocated.

Councillor Hay: No, not yet.

The Convener: We can pursue that question with the Executive.

Mr Swinney: I will pursue that question and link with the question that Derek Brownlee asked. All our communities will have major events such as gala days or community marches that are not contentious. I take it that under the current arrangements, policing for such events is part of the run-of-the-mill GAE allocation. You agree your local police budget and it all motors along. An exception might be major events such as the make poverty history march, which is of a different quantum.

I suppose that there are authorities such as the City of Edinburgh Council that hold events such as the hogmanay celebrations that have major implications, but you would argue that those are covered by the run-of-the-mill arrangements that lead to the calculation of GAE and all the rest of it. Is that a fair summary of the position?

Stephen Fitzpatrick: Yes. The police can answer for themselves about how the bill will affect them. From a local authority point of view, the financial memorandum recognises the requirement for a step change in council practices and the management of those marches.

The brownies are always our favourite example. They were previously subject to exemption, so no cost accrued to the local authorities; Alan Garbutt can correct me if my technical knowledge is wrong. However, under the provisions of the bill, there will be a cost because there will be a much more intensive administration process for councils to engage in with march organisers. There will therefore be an increase in demand, to which local authorities will have to respond.

Mr Swinney: I missed your example. What was it?

Stephen Fitzpatrick: The brownies. We always use the brownies as an example.

Mr Swinney: So the brownies will come under the ambit of this bill.

Stephen Fitzpatrick: If they organise a procession, they will.

Mr Swinney: Because of the danger to public order that they pose. Well, what a fascinating extension of the public order problems of our land.

Councillor Hay: As the bill is set out, anyone who wants to have a march will come under the bill. It could be anyone, from the brownies to the Boys Brigade.

Stephen Fitzpatrick: There will be no exemptions any more. The bill will change that.

The Convener: Do you believe that there should be exemptions?

Councillor Hay: Yes, we do. As we have just said, some marches will cause no serious bother

to anyone. None of the things that were illustrated earlier would be a great threat to the public. There should be some come and go about who is included in the bill and who does not need to go through the process.

Mr Swinney: Let us look at one non-contentious march, whether it is the brownies or the Boys Brigade or whatever. What additional burdens will non-contentious marches place on local authorities? I can understand that the bill will create many more burdens in relation to contentious marches, but what about the non-contentious type?

10:30

Councillor Hay: There was just a non-contentious march—a lantern parade—in my area. It is a big parade, based in Lochgilphead, that happens every year. It is organised in conjunction with the council and the police, who need to ensure that the streets are marked off. At the moment, it just goes ahead, because it is non-contentious. Lots of people attend. It is a fun event. However, if it comes under the bill, we will have to publicise it and put it out to public consultation. We will need to manage the process as laid out in the bill, for a fun event at which everybody enjoys themselves. It is not in the least bit burdensome to anyone at the moment.

The Convener: To be clear, you are saying that the process in the bill will apply to every march, whether it is the brownies or a lantern parade. The organisers of such events might be confused, which might leave them open to a penalty if they do not notify you of a brownies event or something of that nature. That will place additional costs on local authorities, which will be required to advertise such events.

Stephen Fitzpatrick: Yes. Previously, we were entitled to exempt certain marches. There may be some flexibility around the more detailed aspects of negotiations with march organisers, but that is not covered in the bill. We will negotiate with the Executive on the guidance, so that may change. We do not expect the costs to be the same for a brownies march and for an Orange Order or a republican march, but there will be costs that did not exist before, because at least some of the elements of the process will have to apply.

Mr Swinney: Can we be clear about that point? I accept that there will be a difference between the brownies and the Orange Order in terms of the costs, but will you be required—to take Councillor Hay's example—to place an advert in the local paper for Lochgilphead? I am struggling to remember its name; I should know it.

Jim Mather (Highlands and Islands) (SNP): It is the *Argyllshire Advertiser*.

Mr Swinney: I have read it on many occasions. You might have to put an advert in the paper as a de minimis notification, which will cost a couple of hundred quid, for every community event that has been closing streets for donkeys' years.

Councillor Hay: That is not covered in the memorandum. As a minimum, that is possible, but it is not prescribed.

The Convener: Will you have the right to charge the organiser for the cost of the advert, or will it simply fall on the local authority?

Councillor Hay: We will not be able to charge for it.

The Convener: Does Sir John Orr's report, on which the costings are based, include every possible parade that falls under the bill, or does he simply refer to contentious parades?

Stephen Fitzpatrick: Alan Garbutt can correct me if I am wrong, but my understanding is that he covered only those marches that have to go through the notification process, rather than those that are subject to exemptions. The report underestimates the total number of processions that will be covered by the bill. I am not sure by how much, but we expect the number to be significant.

The Convener: So the Executive's proposals are not based on the total number of parades to which the bill will apply.

Alan Garbutt (Glasgow City Council): No. We are still involved in discussions with the Executive on the detailed aspects of the guidance. There are 38 recommendations from Sir John Orr and 55 pages of guidance to implement them. We have to base our figures on there being no exemptions and on all processions coming within the remit of the guidance that we are still working through.

The Convener: Is your figure of £400,000 to £750,000 based on the assumption that the legislation would apply to every parade, or does it relate only to contentious parades?

Stephen Fitzpatrick: It relates only to contentious parades. As was mentioned earlier, the only available data are for such parades. We want the committee to acknowledge that the figure may be an underestimate, because we are unable to take into account those marches and processions that have not been recorded anywhere. We cannot answer for the Executive's financial memorandum, because we do not know what the £200,000 that appears in it is based on. There is minimal detail in the financial memorandum. The Executive acknowledges in principle that the bill will have staffing implications for those councils that are most affected, but we have no further information about the basis for the figure. It is for the Executive to answer that point.

Mr Swinney: I can think of countless events in the towns that I represent for which no public notification is required—the police just do what has to be done. At an absolutely basic level, a requirement to place an advert in a local newspaper to notify people of a road closure or other such measure would cost local authorities at least £200 to £300 for every event. Authorities could not pass on that cost to the organisations concerned, because that would provide organisations with another reason not to be involved in voluntary activity. It makes eminent sense to think that more antisocial behaviour orders would be issued as a result.

Stephen Fitzpatrick: It is important to re-emphasise that the bill places only a general duty on councils to consult and communicate. It does not prescribe how they should do so. Nowhere does it say that councils must place an advert in a local paper. Our point is that that is the kind of thing that councils probably need to do if they are to consult and communicate meaningfully. It is the kind of thing that they currently do for more contentious marches. If we are to generalise and expand the provision to cover more and more processions, it is reasonable to assume that there will be costs to councils.

The Convener: I would like to ask you about a different issue, which you do not address in your submission. What are your views on the proposal to fund the Scottish crime and drug enforcement agency from a central point, rather than through police authorities? That issue was raised by the next panel of witnesses, but I would like to hear COSLA's view on it.

Stephen Fitzpatrick: We are satisfied that the SCDEA will be funded 100 per cent from the Scottish Executive. The Executive has responded to the concerns that we expressed in our submission to the consultation, so we are perfectly happy with the arrangement. I am getting into areas with which I am not entirely familiar, but I have been asked by finance colleagues in COSLA to put on the record today that COSLA would like to be involved from the outset in the three-year settlement group to take forward work on the common police services budgeting process, rather than at the end. That is not intended as a criticism of the Executive, but we would like committee members to push the Executive on the matter when it gives evidence to the committee. The issue is a priority for finance colleagues in COSLA.

The Convener: Finally, how much time have you had to respond to the financial information in the bill? Has the process been satisfactory from your point of view?

Stephen Fitzpatrick: In fairness to the Executive, it has consulted us thoroughly on the legislation.

The Convener: Has it consulted you on the financial information?

Stephen Fitzpatrick: We have had discussions on the financial aspects of the bill. As I said at the outset, the Executive is clear about the fact that we are not satisfied with what is in the financial memorandum. We have at least had the opportunity to communicate our views—we cannot complain about that. However, the Executive has not shared with us the detailed thinking that underpins the global figure that is presented in the financial memorandum.

Mr Swinney: What point have the discussions reached? Are they complete, or are they on-going?

Councillor Hay: They are complete for the moment.

The Convener: We have no further questions. I thank the witnesses for coming along. I suspend the meeting for a minute, while we replace them with our next panel.

10:39

Meeting suspended.

10:40

On resuming—

The Convener: I welcome Chief Superintendent Tom Buchan, the president of the Association of Scottish Police Superintendents; Sir William Rae, the honorary secretary of the Association of Chief Police Officers in Scotland; and Doug Cross, the director of finance with Tayside police. As with the previous witnesses, I will offer the panel a chance to make a brief opening statement, after which we will move to questions.

Sir William Rae (Association of Chief Police Officers in Scotland): We had not anticipated that invitation, but I will take it anyway. I am grateful for the opportunity to address the committee on the bill's financial aspects. We have already given evidence on the bill to the Justice 2 Committee. The financial elements that we highlighted in our written submission are largely issues on which we seek clarification from the Executive. Some of the measures require further development, so it would be difficult for the Executive to give specific costings. Other matters will become clear through operating the provisions. We are happy to have had the opportunity to make a written submission and we will be pleased to respond to any questions that the committee may have.

The Convener: I will kick off by asking about the funding for the SCDEA, which is to come from a central point rather than through the police

authorities. ACPOS flagged up that issue in its submission and said that it is in favour of funding being provided on a 50:50 basis. Will you expand on that issue?

Sir William Rae: The issue is largely about governance rather than money. When an organisation is 100 per cent funded from the centre, that has an impact on those who exercise governance over the body. I am sure that the committee is well aware that, for the police service in general, 49 per cent of funding comes from local authorities and 51 per cent is from central Government. We are concerned that the move to 100 per cent funding from the centre for common police services will disturb the constitutional balance that exists in the oversight arrangements. ACPOS has sought clarification from the Executive on technical financial issues, but our principal concern relates to the power that comes from providing the money and the influence that can be brought to bear as a consequence of that.

The Convener: So you are concerned about lines of accountability and the process of decision making about resources, rather than about the amount of money per se.

Sir William Rae: In the grand scheme of things, the amount of money that is spent on common police services is small in relation to the whole spend on policing. However, while one understands that central funding simplifies the process, that is not justification for moving to 100 per cent central funding. The issue is about a shift in influence over the services.

The Scottish crime and drug enforcement agency is somewhat peculiar. As I am sure the committee is aware, one of the features of the bill is the establishment of a new authority, which will exercise judgments about how money is spent on most services, with the exclusion of the SCDEA. As I describe in our submission, the SCDEA's funding will be passported through without the new authority having any influence over it. Given that all the spend on policing comes from the block, we think that that could have an impact on budgets elsewhere. When we are considering the spend on policing it is important that we are able to consider the total spend.

10:45

The Convener: A couple of weeks ago, one of the newspapers carried a story about a new crime-fighting campus, where different agencies would be brought together. That is not included in the costings for the bill, but presumably the institutional arrangements that the bill puts in place might make such an arrangement a more logical solution. Is that an example of consequences of the bill that do not show up in the financial memorandum?

Sir William Rae: That is not a consequence of the bill. There is a wisdom in bringing together the services that have been described for the campus at Gartcosh. The Executive is considering that and no firm decisions have been made yet, but the centralisation of some of those services is supported by ACPOS. However, that centralisation of services does not flow naturally from the bill; it would happen in any event because it makes common sense as an investment. Gartcosh is also a better location for staff. The SDEA's membership is drawn from all Scottish forces, but if the SCDEA had its headquarters in Paisley it would be difficult for anyone from outwith Strathclyde and the central belt to work from there without having to relocate. Being in the Gartcosh area would make it easier for the SCDEA to recruit people.

Mr Swinney: In your concern about the move to 100 per cent Executive funding for the SCDEA, are you putting down a marker about a drift in governance towards a national police force?

Sir William Rae: No. The issue is not money, but the impact on governance. We think that the model proposed in the bill is flawed because it tries to create an authority with influence over the Scottish Criminal Records Office, the Scottish Police College and so on but has a little add-on for the SCDEA. That indicates that the SCDEA is different in some way, and we do not believe that there is any justification for that. We consider that the SCDEA should be brought within the influence of the new authority.

On the issue of 100 per cent funding, I suspect that all of you, as stakeholders or as interested parties, have been invited to oversee an organisation's arrangements. However, the individual with the clout is the one who puts money on the table. An underlying principle of the constitutional arrangements for policing is to ensure some sort of equity in the influence of central Government and local government. We are concerned that that principle is being set aside. I could not say that we have fears about the current Government making any significant changes, but what worries us is the prospect of significant constitutional change.

Mr Swinney: I will move on to financial issues, and particularly the scepticism in your submission about the financial savings that can be made under the bill. You question the ability to make the £1.55 million saving that is specified in the financial memorandum. Will you talk us through your concerns about that calculation, because it impacts on our judgment of the bill's financial impact?

Sir William Rae: We note that the financial memorandum starts out by stating that the bill is largely cost neutral. We question whether the

creation of the Scottish police services authority is cost neutral. It is suggested that adjustments would be made to make that cost neutral, but we do not understand how that can be done. Savings mainly arise from the introduction of remote fingerprinting, about which a lot of assumptions are made, and they are largely time savings, rather than cash savings. Much of the spend under the bill will come from cash savings that have to be spent on the overall package. Offsetting the cash savings against the time savings will require new money to bring everything together. The time savings are not cashable, unless there is a reduction in the number of officers.

Mr Swinney: You could say that, because time has been freed up by using mobile fingerprint readers, another X police officers—however many one gets for £2 million—are not needed.

Sir William Rae: The calculation is based on one check being carried out by a mobile officer once a week. That may well be right, but it may be totally off the mark, in which case it is a question of taking an officer, or officers, away from somewhere else. Let me be clear: we support the introduction of the technology, which will bring wonderful added value to policing. However, it is difficult to see how it will bring a potentially cashable saving in the longer term.

The Convener: Does Tom Buchan have anything to add, bearing in mind that the Association of Scottish Police Superintendents raised the issue?

Chief Superintendent Tom Buchan (Association of Scottish Police Superintendents): I would normally be more than happy to talk about the issue, but our organisation is a bit light on financial research. I cannot add to what Sir William said, which we fully endorse. The calculation is a bit of a mystery. We cannot see how a spend of £450,000 can be offset and become a saving of £1.55 million. That may be correct, but there is a lack of evidence to explain how the calculation was derived. We will have to suck it and see.

Mr Swinney: Are mobile fingerprint readers being used already?

Sir William Rae: They are being used by the immigration service in Scotland, and they are beginning to be used in England. I suspect that some members will have heard of the new airwave radio system, which will allow mobile fingerprint readers to operate in Scotland. However, they are not in operation in the police service in Scotland at the moment.

Mr Swinney: So we have no information that we can use to determine whether the £2 million can be saved.

Are you satisfied with the calculated savings that will be made if police officers do not have to take people to police stations to take their fingerprints?

Sir William Rae: I have no idea where the calculation came from or what it is based on, so I have difficulty in understanding the outcome in the memorandum.

I can say that the equipment will be of great assistance to every police force in Scotland and I am sure that it will be used for the benefit of the police service and the criminal justice system. One of our problems is that people occasionally give us false particulars, and the equipment will give us greater certainty that the individual with whom we are dealing is who we believe them to be. One of the difficulties of the proposed summary justice reforms and the greater use of alternatives to prosecution, such as the fixed-penalty ticket, would be certainty of identification. The equipment would help with that. The development is entirely welcome but we are at a bit of a loss as to where the calculation came from. We have some sympathy with the Executive because it is required to give a specific calculation; it plucked the figures from somewhere, but we do not know where.

Chief Superintendent Buchan: The thought occurred to me that the equipment could, in some circumstances, add to the burden. I will give an example of a scenario in which officers who are out in the street have cause to stop a person because they have a slight suspicion about them. The only option at the moment is for the officers to take the person back to the station to have them thoroughly checked and fingerprinted. However, the officers might have a queue of calls, so they dismiss their suspicion. If they were able to use a fingerprint reader and their suspicions were justified because the individual was wanted for something, there might be a benefit to the public, but extra work would be generated because the current process does not allow such checks to be easily done.

Jim Mather: I am interested in what I have heard so far and am also taken by the earlier comments about the clarification and further developments that are needed. If you were in another organisation, you might have been more involved at an earlier stage of the bill. For example, when there is legislation to rationalise the way that things are done in industry, stakeholders are involved at an earlier stage and the financial memorandum is more of a joint production. Might such an exercise mitigate some of the costs and maximise the savings more than the proposals in the current financial memorandum would do?

Sir William Rae: I am not sure about your final comment. We understand that the protocol of producing a bill means that it is not disclosed in

any way to anyone. It is true that during the review of common police services we, along with COSLA, have been participating in a joint working group that has been overseeing parts of the transition. However, we have not been consulted on the detail of the bill. If that had been possible, I am sure that it would have given the committee a clearer picture of the costs involved.

I will give one example. The bill introduces drug testing for certain trigger offences involving class A drugs and sets out how that drug testing should be done. An individual who has committed such a trigger offence will be invited to take a test and will be notified within six hours whether they have to report to an assessment centre. The test has not been invented yet—although there is a pilot in England and Wales—and that makes it very difficult for us to comment on the possible costs and number of people that will have to be involved.

We welcome the notion of drug testing and we would have welcomed an approach that would have allowed enabling provisions to be included in the bill, which would be followed by regulations once the science had moved on and it was possible to do such a test. It would have been good to have been consulted on the provisions before they appeared in the bill, but we were not; therefore, we have to speculate on what the costs might be.

11:00

Jim Mather: I wonder whether we are missing an extra process. Given the nature of the bill process, the financial memorandum needs to be an opening gambit. However, the issues might have been illuminated for the committee a bit better if, once they had laid the financial memorandum on the table, its drafters had got together with those who will be affected by the bill to take any issues on board. The comments that we have just heard from Sir William Rae and Chief Superintendent Buchan suggest that ideas are bubbling through that might augment the financial effectiveness of the whole process. That might provide us with an optimal financial memorandum. The current memorandum clearly looks like a work in progress, on which further development is required.

Sir William Rae: I agree that such a move would be sensible, but I understand that it would not be allowed under the protocol for dealing with bills. However, the drafters now speak to us about the detail of bills. That is now the normal way in which bills start to roll out and we are happy to participate in that process. If we had another iteration of the memorandum, we might well find that some of our differences would disappear.

Mark Ballard (Lothians) (Green): I have two questions. First, I think that you said that you were unsure about the figure that is given for the saving that would be made by each patrol having

“at least one occasion per week on which an unnecessary trip back to the station is avoided.”

I want to ask about the other side of that calculation. The financial memorandum states:

“Each trip back to the station which is avoided represents a saving of perhaps 1 hour each for 2 police constables, with a notional cost of £50.”

The £50 figure is then grossed up to £2,500 per year for each of the 800 patrol cars. Do you have any ideas about where the figure of £50 and the time of one hour come from?

Sir William Rae: We normally use a rate of £25 an hour for a constable to calculate such costs. As two constables would be engaged in the process, £50 for an hour is probably the figure that we would ordinarily use for making the broad calculation. However, multiplying those figures to arrive at the total cost is a more unreliable exercise.

Mark Ballard: My second question is on capital costs. Paragraph 263 of the financial memorandum states:

“The capital cost of fingerprint readers would probably be met by the Scottish Administration”.

However, your submission mentions concerns about that capital cost. You seem to be concerned that, as the grant allocations for the years in question have already been committed, the additional cost will result in disruption to currently approved programmes. Can we explore the apparent contradiction between the financial memorandum and the concerns that are mentioned in your submission?

Sir William Rae: Although we make specific mention of fingerprint equipment, we will also be required to purchase additional drug testing equipment when suitable equipment is identified.

The reality of our budget is that the capital spend of Scottish forces is relatively small. At the moment, the capital budget is inflated because we are paying for airwave, but the budget for the whole of Scotland sits at about £31 million. That covers items such as fleet vehicles, technology and buildings. Like local authorities, we now have access to prudential accounting, so some forces have the capacity to spend a bit more. The sums that we are concerned about are relatively small in the grand scheme of things, but the budgets have been allocated for the current spending review period, so we need to know where we are to find the additional money.

There is a fuzziness to some of the statements about measures that will be cost neutral. For

example, we want to create a new national forensic science service. At the moment, forensic science is not provided within common police services but we all agree that it would be sensible to have a national service, as that would bring lots of efficiencies to the process. The existing forensic science service is funded through the normal police grant arrangements—local authorities pay 49 per cent and central Government pays 51 per cent. The proposal is that, by adjusting grants, the bill’s aims will be achieved on a cost-neutral basis. The police authorities’ contribution to the cost of policing partly comes from the revenue support grant. The rest of the money—around 10 per cent—comes from council tax or non-domestic rates. The revenue support grant can be adjusted and the police grant can be dealt with, but how will the 10 per cent hole in the money from council tax be filled? Such figures are relatively modest in the totality of things, but we keep asking questions as we look at the proposals.

Another aspect that should be considered relates to VAT. I say that because of the experience of a national organisation called the National Criminal Intelligence Service, which is largely based in England. That service was formerly part of the police architecture, but it became an arm’s-length non-departmental public body seven or eight years ago. At the time, no one thought about what would happen with VAT charges, which the service was able to recover when it was part of the central Government system. However, when it became an arm’s-length body, it could not do so, and that caused a gap in income. We have asked the Executive to clarify what will happen under the bill. If VAT cannot be recovered from the Treasury, there will be a loss of income, which would have to be compensated for in some way. We hope that we will clear up such details if a dialogue with the Executive is possible, and I am sure that there will be such a dialogue.

The Convener: This is the committee for detail—examining details is part of our role.

Mr Andrew Arbuckle (Mid Scotland and Fife) (LD): Do the police have any plans to change attendance at, or the monitoring of, public processions under the bill? Local authorities will have to advertise all public processions, including local processions and sectarian processions. Will the police have a change of attitude? Are there cost implications?

Sir William Rae: If I may, I will ask Tom Buchan to answer those questions because, not long ago, he was a divisional commander in an area in which there were many public processions, so he will be able to give a more hands-on perspective.

ACPOS welcomes any measures to improve the management of public processions, which are a

significant drain on resources in some parts of Scotland. One hopes that there will be a reduction in the number of parades that must be covered. That may be optimistic on our part, but we hope that they will be less of a burden on conventional policing.

Chief Superintendent Buchan: For members' information, I also sit on the working group that has been set up to consider the elements of Sir John Orr's report that do not require legislative change. The group works away hard in the background on the report.

I will try to summarise. Perhaps not the immediate impact, but the impact in forthcoming years will be that we will spend less time policing marches. We tend not to send significant numbers of police to marches that, by and large, do not require policing other than for road safety purposes—for example, boy scout marches. In the fullness of time, I think that the number of parades will be reduced and that there will be better marshalling, better information, more accountability and everything else that arises from Sir John Orr's report. The situation will be improved, which in turn should lead to a reduction in the total number of police officers who are deployed to marches.

Mr Arbuckle: You mentioned processions being less of a burden. Will that translate into savings in police costs?

Sir William Rae: Yes. Officers have to be taken from somewhere else to cover processions. The number of officers involved very much depends on the history of the processions. Often, it is a matter of protecting a procession from bystanders, which calls for a significant number of police. On occasions, it is more about policing the processions through the city centre or congested areas. A reduction in demand from public processions would mean that police officers would not be diverted from other duties to deal with them.

Mr Arbuckle: You have spoken about a reduction in demand on police time. Do you visualise organisers having an increased requirement for stewarding? Might more of a commitment need to be made when processions are planned?

Chief Superintendent Buchan: Some of the recommendations in Sir John Orr's report related to that. I am sure that you will have witnessed that, by and large, marches are not organised very well. One or two organisations are more professional, but marches can sometimes be shambolic. They can be dependent on the police to ensure safety and control.

I am confident about the work that we are doing to advise organisers on the training of stewards

and the number of stewards required and about our work on behaviour, protocols and greater involvement with the local authority. Our police service particularly welcomes the fact that, in dealing with objections, cognisance has been taken for the first time of the impact on the other policing that we are doing on the day. There will be a slight increase in costs—in police time—because there is much more work to do on the process, but I am highly confident that the proposals will lead to safer parades and, perhaps, to a reduction in the resources required.

Mr Arbuckle: On a different subject, you have indicated that the additional money that is allocated for special constables is not sufficient, but you have not indicated how far the amount is from sufficiency.

Doug Cross (Association of Chief Police Officers in Scotland): In my force, Tayside police, and in Grampian police, there has been a pilot on payments to special constables. The take-up has been quite good. On the back of the improvement in the terms that apply to special constables, all forces are now trying hard to increase their number. They are having varying degrees of success, but some forces have been reasonably successful in attracting more special constables.

The numbers upon which the estimates have been based will increase, and that will have a knock-on impact on the cost, which is based on payments to special constables of £1,000, which is the net payment that must be made to make the position attractive. Tax and national insurance increase that by about 30 per cent, which means about £1,300 per payment per special constable per annum.

We think that the number of special constables will increase. We cannot put an absolute figure on that yet, because we have only just had the pilot, but we expect the number to be higher. We flag up the fact that the upper end of the cost in the financial memorandum, which is around £900,000, might well be light.

The Convener: I take you now to the proposed amendments to the law on knife crime, which are covered in paragraphs 246 to 251 of the financial memorandum. There is quite a lot of pressure on the police service with respect to knife crime, both from the general public and from politicians. You are being invited to take a more robust stance, and the proposal is to amend two aspects of the law to give the police a greater role and greater powers. We are being told that the changes will be cost neutral. How can that be?

Sir William Rae: We would make the same point. You should be in no doubt that we welcome the provisions, particularly on the power of arrest,

because situations involving knives can present a difficulty at the moment.

We hope that, in some circumstances, individuals will be brought to court the day after they are arrested. The financial memorandum does not acknowledge that someone who is arrested must be put in a police cell and that costs are associated with that. I am not making a great deal out of that; it is just a misunderstanding on the part of whoever drafted the memorandum. Costs are involved in conveying people to court, care in custody and other matters. The measures will not add a significant burden, because we have people in custody areas to look after individuals and we have arrangements for transporting people to court but, in conducting the purely financial exercise, such costs seem to have been forgotten.

11:15

The Convener: Some underlying assumptions in the memorandum seem inherently implausible. As you say, the police have an operational responsibility now, but there should be greater recognition that operation of the new law will require more police resource to be devoted to dealing with knife crime—perhaps that is the intent behind the new law.

Sir William Rae: As I am sure you are aware, in my force's areas, knife-related crime is a big problem and a priority for us. We recognise that the bill represents an effort to assist us in curbing such behaviour. When the bill comes into force, I am sure that its provisions will be rigorously enforced and that many forces will do special things to convey to those who carry knives the message that not only the police but the courts treat the matter seriously.

The Convener: People often judge the police's effectiveness on the number of people you arrest and the number who are convicted. If politicians say that knife crime is a big problem and expect the police to respond to that, I presume that the logic is that more people will be arrested and that costs will increase not just for the police but for the Scottish Prison Service.

Sir William Rae: That naturally follows. It is difficult to put pounds on that, but having no figure is a bit of an omission from the memorandum.

The Convener: There is no figure for the police and the figure for the Scottish Prison Service is £150,000. Both those assumptions are highly questionable.

Sir William Rae: Yes.

Mr Swinney: I take the point that the police will rigorously pursue such crime, which does not sound terribly cost neutral for the police. The memorandum says that the impact on the Scottish

Prison Service will cost £150,000. Given the cost of imprisonment per individual, that figure does not appear to account for an awful lot of individuals. If the police succeed in pursuing rigorously the problem, which we all know is extensive, that figure for the Scottish Prison Service will not happen.

Sir William Rae: It is for the Scottish Prison Service to comment on that but, as a lay observer, I think that the figure seems light. I am sure that you are confident that the police service will use the bill's provisions effectively, because there is a real problem out there and we will maximise our efforts to use the legislation. I expect that to have consequences for other parts of the criminal justice system, such as the courts, the Procurator Fiscal Service and the Prison Service.

Mark Ballard: I have a final question on that point. The other side of the changes to the law on knife crime involves altering the ability to purchase non-domestic knives. In its submission, the Scottish Retail Consortium expressed concerns about the effect on retailers who sell non-domestic knives—especially if some of the measures in the Scottish Executive consultation on tackling knife crime are implemented. For example, the submission says that retailers will be required to keep records of the people to whom they sell non-domestic knives; to obtain photographic evidence of the purchaser's identification; and to record transactions on closed circuit television.

What might be the implications for police time and costs of the measures in the bill that change the purchase age for knife crime?

Sir William Rae: We understand that people who are involved in a commercial venture to sell such weapons may find that their businesses are affected by these measures. I do not have much sympathy with that argument—I have seen the weaponry that is taken off the streets and that has been used in serious assaults or murders. Although conventional domestic knives are used a great deal, some absolutely horrific ornamental knives and specialist knives are getting into the marketplace and the community through certain channels. The provisions that try to limit that are welcome. It is difficult to gauge the impact that the provisions will have, but we should certainly be trying to discourage people from getting their hands on these things.

Mark Ballard: I agree with what you say, but we have to be sure that any scheme to restrict the sale of knives is workable for the police. That was the thrust of my question.

The Convener: That seems to be all the questions. Several issues have arisen from our questions to the two panels of witnesses. The main ones seem to be: marches; the impact of the

legislation and the cost assumptions; knife crime; police savings; central funding; and the capital costs associated with fingerprinting and drug testing. Are members content that we should pursue those issues with the Executive?

Mr Swinney: Sir William Rae spoke about potential savings not being cashable. We can make easy assumptions when passing a bill, but it will fall to the police to remain effective with resources that may not be adequate. We will have to be careful about the credence that we give to some of those assumptions.

Doug Cross: That is a good point. In our submission, ACPOS pointed out that there could be real costs involved in time-releasing savings that are not cashable. Costs in the region of a few hundred thousand pounds may have to be met. They might not be hugely significant in their own right, but they would have to be met and would not be impacted on by any of the time-releasing savings. As the committee has heard, there are some question marks over the figures.

The Convener: I thank the witnesses for their evidence. We will be taking evidence from Executive witnesses next week and their answers today will fuel some of the questions that we put to them.

11:23

Meeting suspended.

11:25

On resuming—

Abolition of NHS Prescription Charges (Scotland) Bill: Financial Memorandum

The Convener: Agenda item 2 is scrutiny of the financial memorandum to the Abolition of NHS Prescription Charges (Scotland) Bill, which is a member's bill that was introduced by Colin Fox MSP, whom I am pleased to welcome to the committee. With Colin is David Cullum, who is head of the non-Executive bills unit. I ask Colin Fox to make an opening statement, although he has circulated a paper to us, after which we will move to questions from members.

Colin Fox (Lothians) (SSP): I will be brief, convener. I will take two minutes to introduce the paper that I have circulated.

The bill is an attempt to ensure that everybody gets the medical treatment that they need. I believe that prescription charges undermine the founding principle on which the national health service is built; namely, that a person gets treatment if they are ill, not if they are ill and can afford £6.50. The bill would lead to a dramatic improvement in the health of many Scots and would be a significant boost towards eradicating many of the health inequalities that disfigure Scottish life. The evidence that is before this committee and the Health Committee shows that charges deter access to the health service.

A second point to stress is that the measure would result in savings for the national health service through significant improvements to the health of patients who access preventive medicines before they need more expensive interventions later. I appreciate fully that the committee is interested primarily in the financial memorandum. The figures that are before the committee have been gleaned largely from correspondence with the Scottish Executive. The financial memorandum shows the considerable savings that can be accrued through health improvements.

Nobody in the debate, including the Executive, defends the status quo. To use the words of the legendary Bob Dylan, "A Change is Gonna Come". The question is whether the change is to extend a discredited exemption system and try to make a silk purse out of a sow's ear or to grasp the nettle and follow the Welsh example by abolishing prescription charges completely.

I look forward to answering members' questions.

The Convener: You have assumed that the cost of abolishing prescription charges would be £45.4

million, which is the current amount that is raised by charging. However, following the logic of your argument, there is an assumption that the removal of charging might result in an increased uptake of prescriptions and therefore to increased cost. Do you have any notion of what the actual cost might be, rather than the savings?

Colin Fox: The first point to stress is that the figure of £45.4 million comes from the Executive. It is important to bear it in mind that the Executive has stated that 92 per cent of prescriptions that are written currently go to people who are exempted from paying the charge, so the £45 million comes from the remaining 8 per cent.

The second important point is that we must consider that £45.4 million in the context of the whole national health service spend in Scotland. Currently, prescription charges contribute less than half of 1 per cent of annual NHS income in Scotland. The fact that only 8 per cent of people pay for prescriptions indicates the extent of the extra demand that would be put on the health service.

11:30

The Convener: So you are saying that removing prescription charges from the 8 per cent of people who are currently eligible to pay would include people who are better off and that that is good expenditure of NHS money.

Colin Fox: That takes us into important territory. When we look at who pays prescription charges, it is largely wrong to suggest that the money comes from better-off people. As I say in my submission, other submissions have made it clear that the people who are most penalised by having to pay are those who are just above the low-income threshold. People on incapacity benefit, for example, do not qualify for free prescriptions and neither do people on disability living allowance. People whose incomes are over £8,000 or who have savings or mortgages are above the low-income threshold and also find themselves subject to charges.

The exemptions are completely illogical and inconsistent because the exemption categories contradict one another. For example, irrespective of their income, everybody over 60 gets free prescriptions. Pregnant women and mums of new-borns also qualify. I understand that a member of the Finance Committee who is not here today is pregnant and will qualify for free prescriptions. I respectfully suggest that it is not the case that the well-off are asked to pay and the less well-off are always exempt.

The Convener: Is your argument that the current system of deciding who pays for prescriptions does not target sufficiently the people who are well-off?

Colin Fox: No, my argument is that prescription charges fly in the face of the principle on which the health service is based—that everybody should get free access to medicine.

It is clear from the evidence that the people who are most penalised are just on the borderline of the current exemptions criteria. That is where prescription charges do most damage. The abolition of prescription charges would help those people more than anybody else. As the convener knows, that is in line with a major thrust of the Kerr report—which was promoted by the Minister for Health and Community Care—which was that we want to introduce preventive measures so that we do not have to make greater interventions later on.

The Convener: Assuming that £45.4 million would be the cost of abolishing prescription charges—that is the current amount that is raised by prescription charges, although the real cost would be the cost of the drugs—how would you address the shortfall in the NHS budget as a result of scrapping prescription charges?

Colin Fox: The actual cost of abolishing prescription charges would be substantially less than £45.4 million. As you can see from the Executive's figures in the financial memorandum, the health service would accrue savings from the administration of the current system of £1.54 million. There would also be additional savings from advertising, pre-payment certificates and exemptions categories of £73,000 and there would be more savings from the current anti-fraud measures of another quarter of a million pounds. Those figures are supplied by the Executive.

I contend that on top of that, and perhaps much more significant, would be the saving to the health service because patients who currently go without prescriptions, whose conditions deteriorate and who then present themselves to other parts of the health service for treatment would not do that. At present, the cost of looking after somebody in a general ward in our hospitals, where such people would be likely to turn, is £1,875 a week. The cost of looking after somebody who suffers from one of Scotland's two biggest killer diseases—heart disease and strokes—in intensive care or high dependency units is about £7,000 a week.

When one considers the widespread evidence about people who are forced to go without prescriptions because they cannot afford £6.50, £13 or, should they need four items, £26, we can see that the consequent cost to the health service begins to escalate when we are forced to treat them elsewhere. It is therefore my contention that the cost of abolishing prescription charges would be substantially less than the £44 million that the Executive has put in front of us.

The Convener: Even if you take off the savings that you have identified in budgetary terms, as

opposed to how things might go forward, you still have to identify where £40 million could be saved in order to release the £40-million plus that would need to be found to reduce prescription charges. We operate within a budget, so from our point of view you must say where that cash would come from.

Colin Fox: I am happy to do that, convener. I take issue with your reference to £44 million because, as I said previously, the cost would be substantially less than that. I hesitate to move into territory that is essentially a policy matter for the Executive, which is consideration of where the cost of abolition would come from. First, as I suggest in my paper, the Executive might want to consider the fact that prescription charges form half of 1 per cent of the NHS's income in Scotland. I question the Executive's contention that the charges are a vital source of income.

Secondly, the committee will know that the underspend in previous years' health budgets would allow us to absorb the cost of abolition. Thirdly, we heard the minister announce £660 million extra expenditure for the health service in his most recent statement to Parliament. Fourthly, you should consider that this time last year the then Secretary of State for Health, John Reid, announced the renegotiation of the pharmaceutical contract between the Government and the drugs companies, which was to the benefit of the Government in the form of a 7 per cent reduction in costs. Over the next five years, that will amount to £1.8 billion of savings. Admittedly, that total will be to the UK Government, but it will proportionately be worth £180 million a year over the next five years to the Scottish Government.

I hesitate to enter the policy debate here, but I venture humbly to suggest that there are probably more than four options in front of the Executive for absorbing the cost of the abolition of prescription charges without its resulting in cuts elsewhere in the health service.

Mr Swinney: I want to go back to the assumptions about the likely savings, principally the £45.4 million figure. The Finance Committee's responsibility is to test the bill's financial assumptions and the £45.4 million is obviously the central assumption of the potential cost saving, call it what you will.

I listened to what you said to the convener, but I am not persuaded that there is a cast-iron case that shows that abolishing prescription charges will not cause an increase in the prescription bill. If people do not have to pay for prescriptions, their use of the service may increase. There does not seem to be a financial strain—if I can call it that—in the proposal that you have outlined to us so far. You have rejected what the convener said about there perhaps being an upturn in use of

prescriptions if people do not have to pay. You are also saying that the real cost of abolition would be substantially lower than the financial memorandum suggests. I cannot see how those two lines of argument are consistent.

Colin Fox: I do not reject out of hand the idea that there may be increased uptake of the service; to say otherwise would not be a fair reflection of my point of view. Given that charges deter access, I would expect access to increase if the charges were abolished.

Mr Swinney: So, you accept that the cost is likely to be higher than £45.4 million.

Colin Fox: I will come to that. First, I want to establish that prescription charges deter people from accessing the health service. That is repeatedly backed up by studies not just in this country but throughout the world. That is a role that prescription charges play. Thereafter, we have to identify whether that is a good thing or a bad thing. In the context of trying to encourage more people—particularly men—to see their general practitioners, it is surely a good thing for people to feel that they can access the medicines that they need.

It is important to recognise that the percentage of the drugs bill that we recover from prescription charges is falling—it is now less than 4.7 per cent. The overall drugs bill is increasing but the income from prescription charges is flatlining despite the increase in the prescription charge of 10p per year. In the past three years the percentage of the drugs bill that we recover has fallen from nearly 7 per cent to nearly 4.5 per cent.

We also have to weigh up the relative costs of treating someone with a prescription and treating them in other ways. An example is given in a study by the Scottish Association for Mental Health. At present, people do not get free prescriptions for mental health conditions. SAMH's evidence shows that it is 17 times more costly to the health service to treat somebody in a hospital or clinic than it is to give them free prescriptions. We are in danger of missing the fact that the abolition of prescription charges is a preventive measure. Stepping in early will save us money in the long term.

Mr Swinney: That leads to another aspect of the debate. I will move on to it in a moment, but I want to close down the issue of the likely total cost. I do not want to get into the policy argument, but in relation to the cost, do you accept that abolition of prescription charges could lead to a higher cost than is set out in the financial memorandum to the bill? That might be a hypothetical question, but higher costs are a possible outcome.

Colin Fox: There is something in that, provided that we understand that we are talking about the 8

per cent of people who are currently not exempt from charges.

Mr Swinney: Yes.

Colin Fox: An increase in costs is possible, but it is likely to be marginal.

Mr Swinney: The next point is the one that you explored with the evidence from the Scottish Association for Mental Health. It relates to the wider debate about the incidence of people going into acute or community hospitals and the associated cost to the taxpayer. Have you any evidence that shows that if people had access to free prescriptions, X fewer people would go into hospital? Are there any such comparative studies?

Colin Fox: The financial memorandum contains figures on that. Evidence has come to us from a variety of sources, including Citizens Advice Scotland, which published a study called "Unhealthy Charges: CAB evidence on the impact of health charges". It found that as many as 37 per cent of the people from low-income groups who go to citizens advice bureaux for advice have difficulties with prescription charges or even go without their medicines. When Citizens Advice Scotland made calculations based on that percentage and the cost of looking after people in hospital or other parts of the health service, it found that the cost to the health service amounts to £6.2 million or £6.3 million. I believe that that information is in the financial memorandum. Those figures are in Citizens Advice Scotland's report but the experience is backed up in studies and submissions by Asthma UK, Macmillan Cancer Relief and various other charities.

11:45

Mr Swinney: Going on the costs that you have put in front of us, to achieve a saving of £45.4 million, which you say would be the cost of abolishing prescription charges, you would need to save something like 25,000 weeks of in-patient care. So far, I have not seen a figure that comes remotely close to that in the evidence.

Colin Fox: As I said, the evidence from Citizens Advice Scotland and others is based, as far as is possible, on calculations and assumptions relating to the money that would be saved. I have not put in front of the committee, and have not seen, evidence that is categorised in terms of numbers of patient beds and weeks of in-patient care.

The wider question is to do with the consequent cost to the health service and the country at large of a deterioration in the condition of those people, which has an impact not only in terms of admissions to hospital but in terms of days lost at work and so on. I would say that the figure is hard to quantify or put a value on.

The Convener: I want to pursue the issue further because you seem to be relying on the CAB as your primary source of arguments in relation to the medical consequences of the release of prescription charges. Is there no health-based source of information?

Colin Fox: Indeed there is. Considerable evidence is available to the committee to support the contention that denying access to medicines at earlier stages simply brings about greater costs to the health service later. I concentrated on the CAB's evidence because I thought that it provided the answer to Mr Swinney's question. However, considerable numbers of studies in America, Canada and Scotland have examined cost sharing—systems in which patients picked up some of the costs to the health service—and have concluded that cost sharing has a negative impact on patients' access to health services, which I suggest would be likely to lead to a greater health service bill. I would not like to give the committee the impression that I am talking only about the CAB. It simply produced a study that homed in on the amount of people—750,000 in Britain, according to it—who are going without their medicines. However, 22 different pieces of research are available to us, which formed the basis that the Executive is using in its consultation on prescription charges. Those studies are currently with the minister.

The Convener: The problem is that the financial memorandum cites no evidence from any medical source. According to the footnotes, your quotations are from "Unhealthy charges: CAB evidence on the impact of health charges" and an article in the *Journal of Health Economics*.

Colin Fox: That is because the other evidence is contained in the policy memorandum.

The Convener: But it is not in the financial memorandum.

Colin Fox: It is in the policy memorandum, which also circulates with the bill.

Mr Arbuckle: The CAB findings indicate that 750,000 people are going without their medicines, which means—if you accept a 10:1 ratio—that 75,000 people in Scotland are going without their medicines. Currently, 8 per cent of the population is liable to pay prescription charges. If we pursue the line that the convener and John Swinney have taken, is not it fair to say that the number of people in receipt of free prescriptions will increase from 400,000 to 475,000 and that therefore the costs will increase from £45 million to something like £60 million?

Colin Fox: As I said to Mr Swinney, there will be a marginal increase. The figures that you—

Mr Arbuckle: In that case, will you point out the flaw in the figures that I have quoted? After all, they are your figures. [*Interruption.*]

Colin Fox: I had to hesitate for a moment there.

The Executive says that, at the moment, 92 per cent of prescriptions are free. However, my point is that, based on the current criteria, 50 per cent of the population are not exempt from charges, so the 92 per cent comes from the other 50 per cent of the population, if you follow me. We should also remember that three quarters of all prescriptions are repeat prescriptions, which creates repeat costs, and that the bulk of prescriptions are for people over 60. It is important that we compare like with like. I hope that that answers your question.

Mr Arbuckle: Thank you.

Mark Ballard: I understand that your proposal is similar to a scheme that is being phased in in Wales. Do you have any estimates for the Welsh Assembly's budget for abolition of prescription charges? Does it cover any potential increase in uptake of prescriptions? Moreover, given that the population of Wales is about two thirds that of Scotland, could the Welsh figures be used to guide our discussions on the potential cost of abolishing prescription charges here?

Colin Fox: I will give you the Welsh figures in a moment, but I point out that the Welsh Government originally took the same approach as the Scottish Executive and sought to extend exemptions instead of to abolish charges. However, when it began to extend exemptions to students in full-time education and training and to people with certain chronic conditions—which is the Executive's approach—the Welsh Government found that the difference between extending exemptions and abolition was marginal and decided that abolition was the better route.

The National Assembly for Wales has voted to abolish prescription charges by reducing them by a pound each year, which means that they will be completely abolished by 2007. The budget for each phase of abolition is £5.4 million in 2004; £10.7 million in 2005; £16.1 million in 2006; and £32.2 million in 2007, the year of abolition.

Mark Ballard: Has the figure for complete abolition been based on the revenue that the Welsh Government would have received from charges?

Colin Fox: Yes, the figure is based on lost revenue. In connection with an earlier question, the Welsh Government has not factored in any extra costs for increased uptake in drugs or any savings that it might make. The figures are based on the revenue that it would have accrued from continuing to charge £6.50 for prescriptions.

Mark Ballard: So the figures that you have used in the financial memorandum to calculate the potential cost of the bill's proposals are the same as the figures that the Welsh Government has used in its budget documents to calculate the total cost of its policy on prescription charges.

Colin Fox: Indeed. In the next fortnight the Health Committee will visit Wales to meet the Health Minister there and see up close the situation there. I look forward to its bringing back the figures when it returns.

The Convener: The figure for Wales is £32.3 million and the figure for Scotland is £45 million, which does not seem to me to suggest a population-equivalent amount. Do people in Wales have higher levels of prescriptions than do people in Scotland? The figures do not seem to equate. I acknowledge that £45 million is the figure that you got from the Executive, but there seems to be an anomaly.

Colin Fox: Two things strike me. First, the population of Wales is slightly lower than that of Scotland.

The Convener: It is significantly lower.

Colin Fox: The factor on which we must focus is that the socioeconomic conditions are similar in the Welsh valleys and the central belt of Scotland and people in those areas suffer from chronic conditions that are caused by their similar backgrounds. The figures are comparable.

The Convener: I thank Colin Fox and David Cullum. We will prepare our report for the Health Committee, which is the lead committee.

Joint Inspection of Children's Services and Inspection of Social Work Services (Scotland) Bill

11:57

Meeting continued in private until 12:09.

11:56

The Convener: The next item on our agenda is the Joint Inspection of Children's Services and Inspection of Social Work Services (Scotland) Bill. Our approach paper on the bill suggests that we adopt level 1 scrutiny, which would involve sending our standard questionnaire to organisations on which costs fall, and forwarding any responses to the lead committee. Are members content with that approach?

Members *indicated agreement.*

The Convener: Our next item, which is on the Scottish Executive budget review group submission, is in private.

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