

FINANCE COMMITTEE

Tuesday 7 March 2006

Session 2

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FINANCE COMMITTEE

7th Meeting 2006, 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

*Robin Harper (Lothians) (Green)

Janis Hughes (Glasgow Rutherglen) (Lab)

Alex Neil (Central Scotland) (SNP)

John Scott (Ayr) (Con)

Iain Smith (North East Fife) (LD)

*attended

THE FOLLOWING ALSO ATTENDED:

Professor Arthur Midwinter (Adviser)

THE FOLLOWING GAVE EVIDENCE:

Colin Mair (Improvement Service)

Dr Mark McAteer (Improvement Service)

CLERK TO THE COMMITTEE

Susan Duffy

SENIOR ASSISTANT CLERK

Rosalind Wheeler

ASSISTANT CLERK

Kristin Mitchell

LOCATION

Committee Room 2

Scottish Parliament

Finance Committee

Tuesday 7 March 2006

[THE CONVENER *opened the meeting at 10:01*]

Efficient Government

The Deputy Convener (Mr John Swinney):

Good morning. I welcome members of the public and members of the Scottish Parliament to the seventh meeting in 2006 of the Finance Committee. I ask everyone to switch off their mobile phones and pagers for the duration of the meeting.

We have received apologies from the committee's convener, Des McNulty—who is attending the funeral of Hugh McCartney, the former member of Parliament for Dunbartonshire East—and from Wendy Alexander and Mark Ballard. Robin Harper is substituting for Mark Ballard on behalf of the Scottish Green Party.

Under agenda item 1, the committee will take evidence on the Scottish Executive's efficient government initiative from Colin Mair, who is the chief executive of the Improvement Service for local government, and from Dr Mark McAteer, who is the senior development manager of the Improvement Service. I welcome both to the meeting. We received their written submission in advance of the meeting and we also have background material.

Members will recall that when we discussed our forward work programme at the end of last year, we agreed that we would take evidence from the Improvement Service on the completed report on efficient government in local authorities. That report was commissioned from IPF Consulting—which is the consulting arm of the Chartered Institute of Public Finance and Accountancy—and Bishops Consulting Ltd, which is a private firm, and was published in December 2005. The work was overseen by a steering committee that consisted of the Improvement Service, the Scottish Executive, COSLA—the Convention of Scottish Local Authorities—CIPFA and the Society of Local Authority Chief Executives and Senior Managers, or SOLACE. That is probably enough acronyms for this morning, although I am sure that plenty more will be used in our discussions.

I invite Colin Mair to make an opening statement.

Colin Mair (Improvement Service): Thank you, convener. I will be brief, as our written submission covers most of the ground that we want to cover.

The research arose from the work of a liaison group involving the Executive, COSLA, SOLACE and the Improvement Service. That group considered how, from the beginning of this financial year, we could develop a light-touch framework for monitoring efficient government in local government.

I did initial work in May and June last year on whether it would be possible to use councils' budgetary planning documents as a basis for monitoring efficient government. I reached the conclusion—for some of the reasons that are contained in your adviser's study—that it would not be possible to monitor it solely on that basis. The group then decided that it would be sensible to have a more detailed study carried out in order to establish at least a reasonably reliable estimate for year 1 of the efficient government initiative and—more important—so that we might consider what might contribute towards more consistent monitoring in subsequent years. A study was therefore commissioned from IPF and Bishops Consulting. The study was based on detailed case studies of six councils and a survey of the other 26 councils, so it is probably different from other such work that has been done.

The Executive has emphasised that the efficient government plan themes are not prescriptive. We examined the main plan themes and undertook work with service departments and front-line services to see what efficiency activities were going on there. As members will see from our written submission, the conclusion of the research was that an estimated £122 million of efficiency savings would be made in 2005-06.

The research made a variety of proposals for how we should develop a more consistent monitoring framework for subsequent years. That work has been taken up by a group that comprises COSLA, SOLACE, the Improvement Service and the Executive. Dr McAteer will this afternoon attend a meeting of that group, which will co-ordinate that activity. Each local council will make its own decision about whether to adopt such a framework; however, we have had serious backing from COSLA's leaders, who want councils to adopt a consistent framework to monitor efficient government in the future.

The Deputy Convener: Thanks for that. Let us begin with the estimates that you have published for 2005-06. If I understand it correctly, your estimated target of £122 million of efficiency savings from local authorities is based on the methodology and the caveats that you set out in your written submission. Is that correct?

Colin Mair: Yes.

The Deputy Convener: Your submission raises questions about the difficulty of judging whether

efficiency savings are the direct result of changes to service provision, and sets out criteria, such as that the definition of efficiency savings should be:

“Those that produce the same level of service from less inputs or less resource”.

On what basis did you formulate the figure of £122 million, considering that you add such significant caveats about whether it is efficiency savings that are being delivered?

Colin Mair: The figure of £122 million came out of the detailed case-study work and the survey. The caveats relate largely to the fact that survey responses from the councils that were not case-study councils were incomplete. In two cases, we received responses that contained no data at all. Therefore, the caveats are probably more to do with the survey element than with the case-study element.

In the case studies, we asked each participating council to prepare a statement of what it had done and the efficiencies that it had identified. The role of IPF and Bishops Consulting was to go in and challenge the basis of those statements. A major focus of that work was on whether councils had measurements of output that satisfied them that the level and quality of the output had not been damaged by a reduction in the resource input. As is noted in the larger-scale report, a significant amount of what was initially identified by the case-study councils was challenged and was not included in the estimate from the Bishops Consulting/IPF team. The team then considered areas in which councils were, potentially, making efficiency gains. It worked with corporate managers, service directors and other staff in councils to identify such areas and to determine whether there were efficiencies that councils were not currently noticing, focusing on or reporting.

The overall conclusion from the case-study work was that councils were including as efficiencies things that should not be efficiencies, such as service cuts and increases in the fees that they were charging for their services. However, the team also concluded that that was outweighed by the efficiency gains that councils were failing to identify and report, some of which was almost certainly because the people who were driving the programmes within councils were interested in outcomes other than efficiencies. The reports mention in some depth issues around how energy efficiencies are treated, which are often driven by people whose concerns are with CO₂ emissions and other factors. Therefore, the key target that they want to report on is the council's becoming more environmentally friendly and sensitive, rather than the efficiency gains that follow from that.

There was a process of interrogation for all six case-study councils, on the basis of which, and

after discussion with the councils, the Bishops Consulting and IPF team arrived at a conclusion.

The Deputy Convener: The point that you are making is that a detailed process of interrogation was undertaken with six local authorities.

Colin Mair: Yes.

The Deputy Convener: Did that give you confidence that where inputs had been reduced, the same or better outputs had been achieved in those local authorities?

Colin Mair: Yes, or in some cases that more was being achieved with the same level of input, which is another definition of efficiency.

The Deputy Convener: What data from the six case studies allowed you to come to that conclusion?

Colin Mair: The data were those that the councils provided on their services and service outputs in relation to their resource movements. The interrogation focused on good councils' evidence from the statements that they made on efficiency.

The Deputy Convener: Did you assume that if the figures from the six case studies were multiplied by 32 local authorities you would get £122 million?

Colin Mair: No. We used the case studies as a base and then sent a pro forma survey to the other 26 councils, from which we got 17 responses. Those responses make statements from the councils' points of view about the efficiencies that they think they have achieved. That still leaves us with the balance of councils that did not respond. Some wrote to us to say that they could not respond because of the timescale that we had set. Others simply did not correspond with us at all.

There is clearly a difficulty with extrapolation, which we have tried to control in three ways. First, even though the case studies showed that it was likely that councils were underestimating rather than overestimating their efficiencies—that was true of all six case studies—we did not factor that into the extrapolation when we applied it to the survey data. Secondly, the two councils that returned entirely blank forms were still included in the estimate as a zero base on efficiency, which is probably unlikely. Finally, we controlled the extrapolation in respect of the different sizes of councils—clearly a council the size of Glasgow City Council would make greater efficiencies in cash terms than would a council the size of Clackmannanshire Council. We controlled the extrapolation in relation to the size of the councils that contributed data and the size of the councils that did not respond to us. We did not just do a straight extrapolation from 19 councils to 32 councils, but controlled for scale within that.

The Deputy Convener: You are, however, saying that the estimate of £122 million of efficiency savings satisfies the criteria that you set out in paragraph 10 of your note, which states that efficiency savings are

“Those that produce the same level of service from less inputs or less resource”

and

“Those that result in greater levels of service from the same levels of input or resource.”

Colin Mair: Those definitions from the technical notes drove both the case studies and the questions that were posed in the survey.

Mr Andrew Arbuckle (Mid Scotland and Fife) (LD): I want to follow this line of questioning on the statistical base. Was there great variation between the six councils that you examined in detail?

Colin Mair: Yes. Some had progressed fairly rapidly to having an internally developed efficient government plan that was a significant corporate priority. Other councils were still developing a consistent approach. The reason for working not simply with finance directors and other corporate managers but service directors and heads of service was so that we could explore whether they were calling initiatives efficiency initiatives and whether they were engaged in activities that were likely to produce either cash-releasing or time-releasing savings. There were different levels of development, which has been noted in previous evidence to the committee.

10:15

Mr Arbuckle: I want to move on. You intend to consider five distinct work streams, but from my knowledge councils are so busy delivering other services—the ones that are required daily, such as education and social work—that procurement and management of absences, for example, are secondary considerations; asset management in particular tends to get forgotten about. How do you bring those possible areas for efficiency into the consciousness of local government?

Colin Mair: I will make a number of points. First, we do not believe that councils should focus only on the five themes. Clearly, the vast bulk of spend by councils is on what one might regard as front-line services such as education, social work and their contribution to police and fire services and so on. Therefore, if councils develop efficiency programmes, they are as likely to try to bring about efficiencies in the delivery of front-line services as they are in corporate or back-office services. Secondly, it is fair to say that in the past year significant work has been done by councils on procurement. As the committee will know, John McClelland’s national review of procurement will

be published in the near future. Councils have participated in the development of that review and are actively looking to collaborate with one another to achieve better value for money in their procurement activities.

As the committee will also know, a number of councils have in the past year joined eProcurement Scotl@nd so that they can gain efficiencies by moving to an e-procurement model. Certainly, the evidence from some of the early adopters of e-procurement is that substantial gains can and will be made through improved procurement activity.

Because absence management is one of the statutory performance indicators that councils publish annually, it is always a source of local interest to council tax payers, council leaders, chief executives and others—historically, there has been a lot of interest in that indicator. There have been some interesting developments on how we can manage absence more effectively; it will be a major area in which so-called time-releasing savings can be achieved through efficient government. COSLA and SOLACE have participated actively with colleagues in the Executive on the development of the shared support services agenda, which is moving forward apace.

My sense is that there are major challenges for councils—improving the service to the public is critical. Overall, proving that they are improving services and efficiency is a lower priority, but I emphasise that there is substantial activity going on around those themes.

Mr Arbuckle: To rephrase my question, do local authorities have sufficient resources to deal with the issues? There is a report in a newspaper today of one local authority in which the percentage of absences has increased. You describe that as an area of interest; I would describe it as an area of great concern for council tax payers.

Also, to my knowledge little work has been done on positive asset-management policies in local authorities.

Colin Mair: The attention on absences is partly because some councils have serious problems with attendance and absence management. We did some work on that, again taking case-study councils and examining in depth their absences position. If we analyse that in detail and we link the absence data that are held by councils to personnel data, what is interesting is that a noticeable age effect is taking place with respect to absence in Scotland’s councils. The classic belief that the problem is the “sickie”—employees not coming in on Monday after a jolly good weekend—is statistically completely untrue: the vast bulk of lost days are due to long-term absences, which is highly connected with age.

In some cases, the absence record is to do with known factors of the health profile of Scotland, but there is also an alarming increase in mental health problems in councils, so councils are considering the preventive end of that. If councils are committed to health improvement for the rest of the population, what mechanisms can they put in place that will maintain and sustain the health of the staff that they employ? I accept that there are significant issues in there; all I was saying was that a great deal of attention is now being devoted to the problems and to managing them better.

Mr Arbuckle makes a fair point about asset management, which remains one of the less developed areas of corporate management. However, some larger councils are developing positive asset-management strategies, and the planning of the schools estate has led to a different understanding of how one manages and uses assets.

Mr Arbuckle: What can your service do about managing absence and assets to improve current council performance?

Colin Mair: On absence management, we are working quite closely with two councils to test a variety of approaches that it has been suggested will have a positive and beneficial impact. When those studies are complete, we will be happy to report back on what has worked. We will then roll out the knowledge that we gain from that work to all other Scottish councils and their public sector partners.

As for asset management, we will focus on that in much the same way that we focused last year on procurement so that we can get a sense of the diversity of practice around Scotland, which is an important means of drawing people's attention to the matter. As a result, we are about to undertake a study of the councils' asset-management arrangements and techniques. When we addressed procurement, we found that the very act of undertaking such a study focused the minds of corporate managers in councils on the issue, and led to some quite rapid developments.

Robin Harper (Lothians) (Green): I have three questions. First, is there any evidence that there is an energy-efficiency ethos in the way that councils manage buildings? Secondly, is there good practice in that respect that could be shared among councils? Thirdly, as far as future monitoring of councils' performance is concerned, is there any evidence that they have an invest-to-save policy that could be laid off on a year-to-year basis so that they do not have to think, "If we invest to save this year, that's it"?

Colin Mair: Thank you for that very valid and relevant question. Unfortunately, I am almost completely incapable of answering it.

As Robin Harper will know, the sustainability network is carrying out substantial work in benchmarking the current energy-efficiency policies and investments of different councils and public organisations, and finding out how we can track the degree to which such investments pay off. Because of the behavioural and cultural factors that are involved, the network is also thinking about programmes that will not only put in place relevant infrastructure, but will alter attitudes to energy utilisation in public services. I am afraid that I cannot give a specific answer to the question, but I will be happy to gather relevant information from colleagues and send it to the committee.

Robin Harper: That would be useful.

Dr Elaine Murray (Dumfries) (Lab): It is said that efficiency is based on the ratio of output to input, and can be achieved by reducing input and/or increasing output. From your studies, what proportion of the savings in councils will be based on reduced inputs and what proportion on increased outputs?

Colin Mair: The ratio is probably about 2:1: one third is the result of working resources harder in order to get more out of them. One issue that links back to asset management is how councils can use their distributed assets for community purposes much more intensively and intelligently than they have in the past. Over the year that we examined, councils expressed concern—because of the financial pressures that they face—about improving efficiency by reducing inputs.

This issue raises an interesting question about terminology. Offices and councils tend to underestimate what they are doing about efficiency because we have stuck the word "savings" on the end of it. In principle, efficiency is just as much about using resources better and more fully on behalf of communities to deliver services to them. However, if the word "savings" becomes associated with the word "efficiency", people might say that if they are not taking something out of the budget, they are not making any savings, so what they are doing will not count towards efficient government. If we were to adopt terms such as "efficiency gain" or "efficiency improvement", we would more accurately capture the ambit of the exercise.

Dr Murray: So about two thirds of the £122 million is probably in reduced input. How can you ensure that that £80 million or so is being used to improve front-line services rather than to offset the other financial pressures, such as the single status agreement, equal pay and so on, that councils are facing at the moment?

Colin Mair: Clearly, the answer is that councils have, within the budgetary processes, to make

political decisions about how to allocate resources that are made available through whatever mechanisms. My feeling—which I have picked up from the case-study councils—is that the driving priority is to create corporate capacity for new investment in front-line services through the efficiency programmes that have been set up. In many councils, the idea of funding new developments through efficiency goes back five or six years and substantial amounts of money have been churned into those developments on that basis.

For local politicians, the front-line services that are used by their electorate and communities are a matter of significant priority; that is certainly an area in which a monitoring framework is needed that examines not only where the money comes from but where it goes. Clearly, councils do not think that the question of what was done with the £168 million that was taken away at source lies with councils, because they did not get it in the first place. How that money was deployed would be for someone else to account for in terms of whether the overall efficiency of the public service was improved.

Dr Murray: Do you intend to provide guidance to local authorities about how they can measure efficiency?

Colin Mair: It might be better if Mark McAteer talked about that.

Dr Mark McAteer (Improvement Service): Coincidentally, the technical group that will take forward the proposed monitoring framework will meet this afternoon for the first time. That group will consider, on behalf of the partners—the Executive, COSLA, CIPFA, SOLACE and others—how we will develop the practical implementation of the monitoring framework and will discuss how we will group together services for monitoring purposes, what productivity and efficiency measures we will then put in place and what practical implementation support will be required in certain councils to make that happen. It is hoped that the group will in a couple of months come to an agreement that will be put before council leaders through COSLA and others for final approval before being put before councils.

Dr Murray: There is confusion over the difference between front-line services and back-office functions. Certainly, the local experience has been that the proposed savings have been in front-line services rather than back-office functions. However, I should say that that proposal has been kicked out. Do you intend to provide guidance on where councils should seek to find efficiency savings?

Dr McAteer: I do not think that it is the role of the Improvement Service to provide guidance to

councils. We have no statutory basis on which to do so; we merely work in collaboration with councils and support them, so that is ultimately a matter for councils to decide. Based on the research, one of the messages that councils are sending is that they would not choose to employ the distinction between front-office and back-office services. With regard to efficiency gains, many are adopting a service-chain model for services, which means that everything from the back office to the front office is interlinked in terms of what can be done to provide what the customer or citizen wants.

Dr Murray: So, you cannot ensure that there are no cuts in services, or that things that are being presented to you as efficiency gains are not actually savings, as we were saying earlier.

Colin Mair: The question whether something is an efficiency gain or a cut is down to whether the shift in resources results in a diminution in the quality of outputs. In that sense, the monitoring framework should focus on outputs. We have some national frameworks on monitoring council performance, the most obvious of which is the system of statutory performance indicators. However, that was not developed in order to create a suite of measures of efficiency or productivity and—of course—it does not do so.

10:30

Part of the technical group's exercise will therefore be to consider whether we could evolve a monitoring framework that better captures output—on which you are rightly focusing—and which could be used and adopted consistently, with councils taking the partnership approach that Mark McAteer talked about. Many councils see improving the efficiency with which front-line services are delivered as being a key area for efficiency improvement and gain. It is not about cutting the service to the public—it is about how efficiently we are organised to deliver the service.

The back-office/front-line distinction has never been clean cut and is maybe now more a source of confusion than it is useful. Our work, and the work of the monitoring group, will look across the whole range of council services. The key is to get to the output measures that will provide a satisfactory answer to the question whether a reduction in resources is resulting in a reduction in outputs to the public.

Dr Murray: How long would that process take? The Executive's efficient government initiative has started, so how long will it take to develop the sort of output measures that would give people confidence in its ability to deliver efficiency gains, not cuts?

Colin Mair: The first item on the agenda at a meeting that we are having with a group of

partners this afternoon is setting a tight timescale for that work. With your permission, I would happily report back to the committee by letter on the timescale for that and I would be happy to report back again at the end of the process with the framework that is developed.

The Deputy Convener: Can you give us some comfort as to whether the type of framework that Elaine Murray has been asking about will bring about genuine efficiency savings, rather than what we would all traditionally call budget cuts? Can you clarify that such a framework does not exist at present?

Colin Mair: There is no consistent framework for monitoring that across the 32 councils in Scotland.

The Deputy Convener: If there is no consistent framework across all local authorities, how can you sign off a report that says that £122 million of efficiency savings have been made?

Colin Mair: We should distinguish between a monitoring framework and a research study. If, every year for the next three years, we had to go out and do a detailed research study to identify what efficiencies were being made, that would not be an adequate or cost-effective way of monitoring efficient government. Because we conducted detailed research and controlled our extrapolation from case studies, we are satisfied that we have a reliable estimate of where we are this year. We want to evolve a framework that allows routine monitoring to take place, rather than requiring research studies to be commissioned to find out what is happening.

The Deputy Convener: Do you not see some inherent dangers in that? You said that the £122 million figure arose from a research study rather than from an empirical analysis to quantify the performance of each local authority. Do you accept that there is the danger that that research study could be misinterpreted as a study that proved beyond all reasonable doubt—an argument that I think you might find has been advanced by some in the debate—that it was giving a definitive list of savings that had been made?

Colin Mair: I am absolutely clear that it is an estimate based on extrapolation. That is clearly stated in the information that we have submitted to you and in the report itself, and the method of extrapolation is clearly discussed, so I have no doubt about that. It is not a definitive figure based on a detailed analysis of 32 councils in Scotland.

Derek Brownlee (South of Scotland) (Con): The report says that the time-releasing figures have to be treated with caution and that there is a significant underestimate of the amount of time-releasing savings. Why is that?

Colin Mair: The report by IPF Consulting and Bishops Consulting showed that the councils were struggling to work out what time-releasing savings meant. There could be two reasons for that. For example, some of the larger councils have introduced technologies that massively reduce the transaction processing that they have to do in procurement. In one sense, they have created time-releasing savings, but they might choose to cash them in by having fewer staff, in which case the savings become cash-releasing savings. There is some confusion about exactly what is what.

Secondly, there is an element of confusion about to whom and to what we attribute efficiencies. The Executive has examined the savings that have been made by the introduction of classroom assistants and the liberation of teachers' time for other purposes, but should councils claim that saving or should the Executive claim it because it provided the funding? There is confusion about that.

Many people think, "What are we looking for? What are time-releasing savings anyway?" For example, we can measure precisely the time that is saved through the use of call centres. The average amount of time that is taken to process an item of business might be reduced by 15 or 20 seconds. However, Dr Murray's question is the important one. What is done with the time that is saved? Is time released for a practical purpose? We are still struggling with the concept and we need some clarity. The technical group might want to give councils guidance and support on the best way to capture time-releasing savings. The most obvious method is improved absence management because that releases the time of people who otherwise would not be delivering on behalf of councils.

Derek Brownlee: From what you say, it seems that there is recognition that additional or improved guidance is important.

Colin Mair: Yes. The technical notes contain a clear statement on the abstract meaning of "time-releasing savings", but we now need to ask what that means to a social work manager or a waste collection manager, for example. In that way, we can add some substance to the abstract definition.

Derek Brownlee: If we put the issue of guidance to one side, is there also an issue about the process by which you measure time-releasing savings? When you get past the confusion and identify precisely what such savings are, are systems in place that will allow appropriate measuring of improvements?

Colin Mair: We considered the slightly more mature system down south and it seems that people there are struggling with the concept and

application of time-releasing savings just as much as we are. There is a bit of work to be done to explore the initiatives that are being undertaken in different service areas to release expensive time or to minimise the time that is taken up by transactions. Nevertheless, those initiatives have to be controlled by the quality of output to the public. For example, councils might seek to process planning applications more quickly but, for the benefit of both the applicant and the community, it is critical that they are processed correctly. The timescale is not the only important thing. However, further work will be done on the development of a monitoring framework.

Derek Brownlee: Is it fair to say that the amount of time-releasing savings has been underestimated? Given that there is so much confusion about what they are and how they are measured, is it possible that they have been overestimated? You seem certain that they have been underestimated.

Colin Mair: What we are saying is that we captured almost nothing in the study of time-releasing savings. The phrase is perhaps used unduly loosely but, to be frank, the reason why councils are not coming forward with such savings may well be that people are insecure. Indeed, in the discussions that they had with the case study councils, people were not clear about how they would go about—

Derek Brownlee: I do not want to put words in your mouth, but you seem to be saying that although there is no evidence of councils saying, "These are time-releasing savings," there must be such savings somewhere, given the on-going initiatives.

Dr McAteer: The performance management systems that councils use were not designed to take account of time-releasing savings, so there is a development issue. That is one of the issues that the technical group will consider. Colleagues down south are also considering that, following the study by the National Audit Office.

Derek Brownlee: On that point, what sort of work has been done to compare processes up here with what happens in the rest of the United Kingdom and, indeed, internationally?

Dr McAteer: That is another of the issues that our colleagues from the Executive's efficient government team have picked up on. They are liaising with colleagues down south, who are further forward in the agenda, to ascertain what learning can take place here. I hope that that work will be reflected back through discussion with us and others in the technical group.

Colin Mair: We would concur with that. To some extent, the research study supports the Accounts Commission's conclusion about the challenges of

trying to measure efficiency gains with information systems that were not set up for that purpose. That is exactly where we are just now and what we are evolving out of.

Derek Brownlee: The Executive seems to have put an awful lot of emphasis on councils working together and with other organisations in their areas to implement efficiencies and drive them through. I presume that you have not picked up on a great deal of that at this early stage. What, if anything, can you do to ensure that that process happens? For example, can you take on an advocacy role?

Colin Mair: We have had an advocacy role and we are also working with councils that seek to collaborate with other councils or local community planning partners. The Executive has been active in a facilitative role to promote and advocate the potential of partnership and provide support funding for people who wish to pursue that. A substantial volume of work is going on, some of which is reflected in efficient government fund bids that are developing into a shared-services strategy. We have been involved in that, but some councils have taken a strong lead and we and colleagues in the Executive have supported that.

Derek Brownlee: If we move away from time-releasing savings to cash savings, is there an issue to do with monitoring whether councils have made savings and redirected them? Is there anything that you can do to improve the audit trail?

Colin Mair: One of the things that councils are reasonably good at doing is tracking shifts of finance inputs through their budgetary processes. If money is shifted from one area to another or if relative shares of the overall council budget are moving, that can be tracked and linked to outputs. One of the things that we have not fully got yet is a link between the performance measurement systems and the financial tracking systems, so that we end up with an integrated picture of the overall movements. However, the technical group will want to consider that as part of its work.

The Deputy Convener: You say that there is no linkage between the robust financial systems that monitor inputs and the performance management indicators that manage the outputs. The absence of a direct correlation between those two systems leaves me with the question how on earth this process has been monitored so far and how on earth we have come to a robust estimate of £112 million of efficiency savings, which has been used in political debate.

Colin Mair: I have two points to make on that. I did not intend to be quoted as saying that no connection existed between financial and performance monitoring. What I am saying is that we do not have single, integrated, corporate

systems. The best-value audit reports indicate that that is the case. Tracking takes place, but the issue is the level at which it takes place. Many services will have their own business plans that integrate their financial and performance data, but that will be done at the level of service managers and below, so the issue is the corporate capture and organisation of that data.

You are putting a proposition to me, but I have not spoken to anybody who has not acknowledged that the research study produced simply an estimate. Nobody has said that a detailed study of 32 councils has produced something more than an estimate. Perhaps I do not pay enough attention, but—

10:45

The Deputy Convener: Mr Mair—

Colin Mair: All I would say is that it has not been our intention to suggest that. I hope that we have been clear about how the study was carried out, about the basis for the extrapolation, and about the fact that the figure produced is an estimate.

The Deputy Convener: At the risk of consigning you to a dreadful experience, I encourage you to read the *Official Report* of the parliamentary debate on 12 January. The Government amendment, which was moved by the Deputy Minister for Finance and Public Service Reform and Parliamentary Business, put in the context of a parliamentary debate the view that £122 million has been saved through local authorities' efficiency savings. I encourage you to indulge in some soporific reading.

Colin Mair: I have a six-year-old. I am sure that she will welcome it being read to her.

The Deputy Convener: An interesting prospect—although I would not recommend the debate as a study in how to use the English language.

Mr Frank McAveety (Glasgow Shettleston) (Lab): Your six-year-old might be better at counting.

I am by nature an optimist, but a number of phrases come bouncing out of the report. They relate not only to local government but to central Government expenditure in the United Kingdom. The report found that many councils are grappling with clearly articulating what efficiency means; that many councils struggle to define efficiency; and that the approach to improving efficiency is inconsistent. The report concluded that there was little indication that work in the five key efficient government strands formed the mainstay of many councils' approaches. The report stated:

"We were unable to track efficiency gains being redirected for investment elsewhere in the organisation."

If we just rip such phrases out of the report, they do not read very well. Can you make me more positive than negative?

Colin Mair: We are reporting at one point during the first year of an initiative. It would be nice to report that everything in the monitoring and delivery of efficient government had been sorted out during the first nine months. However, I could not honestly report that to you and I do not think that anybody would believe me if I did.

The initiative has placed the focus on the need to improve, so—

Mr McAveety: If it was a paper that a student had produced, what grade would you give it at the moment?

Colin Mair: I would prefer not to answer that question, if only because my answer would be quoted endlessly. I would say that it was a bright student that had very good prospects and would end up with a first-class honours degree, but I would say that it needed the kind of conscientious support that people such as your adviser and I have always given students.

Professor Arthur Midwinter (Adviser): He meant your own report.

Colin Mair: Oh. My own report? Admirable!

Mr McAveety: If I was your tutor and I passed this paper, would you say, when you were doing your audit of assessments by your tutors, that your tutor got it right?

Colin Mair: I am now completely lost as to what the question was—sorry. Are you asking whether I think my own report is sufficient to pass the course, or are you asking whether I would like to make a tutor's assessment on efficient government?

Mr McAveety: I do not think that this issue has to do only with local government, and it would be interesting to get a measure of how local government compares with other aspects of government. If we are trying to understand how far down the road we are in understanding efficient government, are we going to pass the test at the moment, given the direction of studies? It is a fairly tortuous metaphor, but I am trying to keep it in line for you.

Colin Mair: I genuinely think that we are on the right track.

Mr McAveety: It is a diligent student.

Colin Mair: A conscious judgment was probably made on whether things should be sorted out before an initiative was launched or whether an initiative was needed in order to give urgency to

sorting things out. I feel that the initiative has led to a focus and an urgency. Things are happening quite rapidly.

If I had to decide on the balance of attention, I would rather that it was initially tilted towards getting in place mechanisms to improve efficiency than tilted towards monitoring those mechanisms. In other words, in the balance between improving and proving, the bias should be strongly towards improving. We might then have to do further work on how we prove the improvements. I am optimistic about councils' degree of engagement and about the possibility of making substantial gains, to the benefit of the public, on matters such as procurement.

I accept that development issues arise with the monitoring framework, but it is a credit to the whole exercise that there is a consensual relationship between COSLA, SOLACE and the Executive on how we develop a more effective monitoring framework. Although there are always fraught times at various points of the year, there remains a mature underlying commitment to developing a more efficient monitoring framework.

Mr McAveety: Is there buy-in from all local authorities? It worries me that some local authorities did not respond fully to the survey that you carried out, while others were diligent.

Dr McAteer: To be fair to the councils that did not respond, we set tight timescales for the survey. Therefore, to expect all councils to drop everything and pay attention solely to the survey would have been unrealistic.

Mr McAveety: Why did some councils respond when others did not?

Dr McAteer: I suppose that the survey was a matter of priority for individual councils.

Mr McAveety: That is the point that I am trying to make. I would have thought that efficient government would be a priority for everybody.

Dr McAteer: Overall, our sense is that the partners are committed to continuing to push and develop the agenda.

Colin Mair: We should not read into the fact that some councils did not respond to the survey that they are not committed to efficient government. We can say that they were not committed to responding to the Improvement Service, which is comprehensible, given people's many priorities in life. As Frank McAveety will know, there is a danger that we could become a complete pain in the backside to councils if we keep asking for information, while at the same time telling them to get on with their work. There is a large flow of demands on councils, to which we have added in our first year, although with the best of intentions. Some councils may, for example, have been trying

to set their budgets and may have decided not to devote a lot of staff to filling out the survey. The response does not necessarily reveal an attitude to efficient government; it shows an attitude to the exercise that we carried out.

Dr Murray: Are you arguing that the focus of the efficient government initiative was needed to develop systems to enable people to measure the efficiency gains? In that case, was the Executive justified, in advance of the assessment, in putting a figure on how much it expected in efficiency gains from local government?

Colin Mair: The Executive made a judgment, which was built into the financial settlement for councils for a three-year period. It also made assumptions about the likely impacts of councils engaging with eProcurement Scotl@nd to make procurement gains. The issue goes back to the question of how we roll out initiatives. Do we set a reasonably challenging target and force people to engage with it, or do we say that, until we have done oodles of baselining work, we cannot do anything? My sense is that the strategy to get the project moving and then create a series of targets that people had to respond to and focus on has been fairly successful. Setting a target sets a challenge for people. In fairness, if we track the process in formally documented discussions, we will find that the representatives of local government signed up early and accepted the targets that were set.

The Deputy Convener: Notwithstanding the methodology that you have set out, we come back to the point that the Government assumed in advance a saving of £150-odd million from the financial framework for local authorities. Was that a reasonable proposition?

Colin Mair: If our estimate is within reasonable parameters of accuracy—which I think it is, for the reasons that I have outlined—the answer is yes, because we are well on target from the first year to meet comfortably the cumulative three-year target. The Executive's assumption may be validated retrospectively. The question is whether we should set targets before a programme begins and before we have a completely factual basis on which to do so. In my experience, if we try to do that before a programme begins, the programme never begins, because we get completely paralysed by the difficulties of rationally doing this and that. However, there might be a case for setting targets. There were discussions about that.

The Deputy Convener: Would it be fair to apply to Scottish Executive departments the same approach, focus and discipline—whereby targets are set and baseline budgets reduced—that are applied to local authorities?

Colin Mair: I have a feeling that this is one of those areas on which I would prefer to have no

thoughts at all. I guess that the difference, which is made clear in the efficient government plan, is that councils are constitutionally independent entities and are treated differently from how the Executive is treated in relation to what it controls and manages directly. That difference is expressed partly in the way in which the financial settlement to councils is used. To be fair, the plan also says that it is down to councils to decide how to address the matter and what frameworks they want to use to monitor their contribution.

The Deputy Convener: But local authorities are being treated differently, in that they have been set more exacting standards than have Scottish Executive departments.

Colin Mair: In what sense have they been set more exacting standards?

The Deputy Convener: My point relates to the proportion of local authorities' income from which they are judged to be delivering efficiency savings. Local authorities have a bigger efficiency savings target to achieve than do Scottish Executive departments. Local authorities have been set a target of 3.4 per cent of income, whereas, if my memory serves me right, Executive departments, such as the Environment and Rural Affairs Department, have a 0.6 per cent target. The point that I am making is that if a bigger target is good for the goose, is it not also good for the gander?

Colin Mair: You are asking me questions well above my pay grade. I have absolutely no position on that.

The Deputy Convener: I was just interested in the professional view of the Improvement Service. The service might be just for local government, but I was interested to hear what it could tell us about the Scottish Executive. I will leave it at that.

Jim Mather (Highlands and Islands) (SNP): I am keen to go back to first principles. Which role model do the witnesses consider they should be following in the search for efficient government, excluding the people down south who, as has been conceded, are also struggling?

Colin Mair: In all the work that we have done—this draws on evidence from around Europe—we identified that when one tries to look at the efficiency and productivity of government, one runs quickly into all sorts of difficulties. There is a particular difficulty with defining and monitoring quality of output and determining whether, given what we do with flows of input, we are diluting quality of output.

Jim Mather: You keep using the word “output”. Are you also interested in outcomes?

Colin Mair: Very much so. An example is that, at a time when the overall pupil roll in Scotland is declining, we are choosing to make investments in

improving the ratio of teaching staff to pupils, on the assumption that that will be cost beneficial in terms of the overall outcome, even though in the short term it might seem to reduce the productivity of the staff involved, if that is measured in ratio terms. The way to assess whether that has been a sound investment is—

Jim Mather: The question was about your role models.

Dr McAteer: From within the six case-study councils, there was good learning. Two or three of the councils had a well-developed approach, and what we looked to do—

Jim Mather: No. I am talking about wider role models.

Dr McAteer: From beyond the research?

Jim Mather: By role models, I mean people who have done work on efficiency and made it a success. I was not asking about role models in councils, which are at an early stage in their work, as we are discovering. Who are the role models that you are using to identify the criteria that should be applied in achieving efficient government?

Dr McAteer: We have not looked at anyone, because that is beyond the remit of this piece of work. The technical group might wish to consider that, and we might approach a number of private sector companies to see what they are doing and whether we can learn anything useful from their activities that we can bring back into the public sector.

11:00

Jim Mather: Are you telling me that you are reinventing the wheel?

Dr McAteer: No.

Jim Mather: In that case, what inputs will allow you to avoid reinventing the wheel?

Dr McAteer: That brings us back to the remit of our study, under which we sought to examine what councils are currently doing, come up with an estimate and begin to consider a framework for monitoring matters.

Jim Mather: Forgive me, but—

Dr McAteer: I assume that, in developing that monitoring framework, we will look at organisations outside Scottish local government to find out what they are doing and whether we can learn anything from them. I always envisaged that to be the second stage, not the first stage, of the process.

Jim Mather: I have to say that that sounds incestuous to me. I expected to hear something better than that.

We are watching you and are carrying out our own research; however, we are part-timers, and you guys are working on this full time. I think that my part-time involvement in the matter allows me to ask you how your approach meets the accepted criteria for achieving the genuine efficiencies that have been achieved elsewhere.

Let me spell that out by highlighting five key aspects. How does your approach stack up with regard to having an agreed, understandable, worthy and overarching objective; having a genuine commitment to ensuring that perpetual improvement permeates every sphere of government; having statistical control and solid baseline outcomes that allow us to measure how things are going forward; and having the involvement and enthusiastic buy-in of all stakeholders? Finally, what specific outside help is being provided to people who cannot see the wood for the trees to allow them to get some objectivity and an arm's-length assessment of how they are doing?

Colin Mair: This is going to sound as if I am terminally confused, but it seems that I must be. When you say "your approach", do you mean the approach that the Scottish Executive has adopted to efficient government; the approach adopted by Scotland's councils; or the Improvement Service's approach to this piece of research and development?

Jim Mather: When I say that I want to see all stakeholders enthusiastically buying into the approach, I mean that I expect there to be a single overarching approach that goes through everything.

Colin Mair: I agree. Let me go through the issues that you have raised. For example, on stakeholder engagement, there is no question but that—if we take stakeholders to mean service users, those who politically govern the production of services in Scotland's 32 councils and their partners in the local and national public sectors—all parties are carrying out significant joint work. If you are seeking some judgment on that matter, I have to say that over the past year I have been impressed by stakeholders' rapid engagement with the need to engage—

Jim Mather: Would any of the stakeholders be able to articulate the programme's overarching objectives?

Colin Mair: The programme's overarching objectives would be understood very commonly by stakeholders.

Jim Mather: What are they?

Colin Mair: The overarching objectives are eliminating waste where it has been identified; reviewing our service production processes to

identify areas where we can make more efficiencies—

Jim Mather: Excuse me for butting in, but that contrasts poorly with the reasonable overarching objective that I managed to get Malcolm Chisholm to accept of maximising the number of working-age people in work in Scotland and at local authority level. How will your efficient government initiative help to deliver that objective?

Colin Mair: I am sorry, but I am not clear about whether the efficient government initiative set out to maximise the number of Scottish people in work.

Jim Mather: I think that that makes my point that the programme has no overarching, worthy objective that would meet any criteria set by anyone from outside who looked at it objectively.

Colin Mair: I suppose that another worthy objective of the programme is to get better quality care to older people as they want it and in the shape and form that they want it. All these matters feed in. I take it that efficient government will not replace partnership agreements and other statements by councils of corporate priorities for their areas. The programme has been introduced within the context of the established priorities and existing objectives of the Scottish Executive and the executives of every council, including many worthy priorities and objectives that are related to health improvement, employment and employability and so on, to find out how we can better use resources.

Jim Mather: As soon as you refer to many worthy objectives, we lose the plot. The hallmark of efficiency that has been achieved anywhere else in government and industry is having an overarching, worthy objective that all stakeholders buy into. I am not hearing that articulated today.

Colin Mair: I can only apologise for my failure in that respect. The average council in Scotland has set itself four strategic objectives. Largely, those cover health improvement; learning, employment and employability; safety in communities; and environmental quality and quality of life. The objectives set the context in which we can ask whether we are using resources efficiently to achieve them for our communities.

Jim Mather: I hear the words, but I do not see any facility to turn the rhetoric into action on a measurable basis that would allow me to see statistical improvement over time.

Colin Mair: With their community planning partners, councils monitor patterns of employment and employability in local economies. There is a range of measures on environmental standards and quality, some of which are now operating through the planning system.

I am probably misunderstanding what it is that you seek. However, I do not think that the efficient government initiative was set up to replace councils' strategic objectives. Rather, councils see the initiative's purpose as that of establishing how we can best use resources to meet those objectives.

The Deputy Convener: One issue that we should explore is the statutory performance indicators that councils will have. Jim Mather is seeking a set of SPIs that will demonstrate performance against the sort of criteria against which he believes local authorities should be measured. We need to be reassured that the efficient government process is not an adjunct to the process of delivering statutory performance indicators that would give us comfort that public expenditure is making a difference by improving employability, the environment, people's health and well-being and educational attainment. I am concerned that—if I recall correctly what you said—you have made it clear that the existing statutory performance indicators are not sufficiently robust or focused to give us an indication of any year-on-year improvement.

Colin Mair: That is a fair observation. It is clear that the SPIs were never developed to be the ultimate measure of the things to which you refer. Significant interest is developing in how we can get far better outcome measures of the sort that Jim Mather would like to see.

The Deputy Convener: Is the Improvement Service involved in that discussion?

Colin Mair: We are involved in it in a support role, but it is primarily a discussion between COSLA and the Scottish Executive about how we can develop a system that captures much better the key results and outcomes that we are committed to achieving and enables local government and the Executive to agree what those outcomes should be. The argument about whether we are working efficiently and using staff and other resources to the optimum level of productivity is much better situated in that context. Today's discussion might have been helped if at the outset we had set out in the round what is happening. We reported on the research, but we did not talk about the broader picture.

The Deputy Convener: To whom was the report that you published in December addressed?

Colin Mair: It was a report to the steering group, which comprised COSLA, SOLACE and the Scottish Executive efficient government team.

The Deputy Convener: What were the arrangements for its publication?

Colin Mair: There were initially no arrangements for its publication. When the report

was finalised just before Christmas, it was circulated to all members of the steering group. We eventually had a meeting of all members of that group, towards the end of January. Having been through the steering group process, the report will be on websites and so on.

The Deputy Convener: You said that the report was circulated to all members of the steering group prior to Christmas.

Colin Mair: Yes, part 1 of it was.

The Deputy Convener: Was it circulated to the steering group with a view to its acquiring the imprimatur of that group?

Colin Mair: It was circulated to obtain the steering group's comments.

The Deputy Convener: The report was not published by the Improvement Service, which is the organisation that should have been responsible for publishing it. Is that correct?

Colin Mair: Yes.

The Deputy Convener: Is it a matter of concern to you that the conclusions of the report formed the basis of the Government's position in the 12 January local government settlement debate, despite the fact that it had not been published and was made available to members, after repeated requests for it, only at 9.10 on the morning of the debate?

Colin Mair: I was unaware of that. I have no problems with the report's findings being used in a political discussion. It strikes me as entirely sensible that if the report exists, it should be used.

The Deputy Convener: I simply put it on the record that from 28 December onwards, the report was being widely quoted in the media. Repeated requests for the report, not only by MSPs but by the Scottish Parliament information centre, resulted in the publication being made available to members on 12 January at 9.10 am. A debate on local government finance, in which the report was cited as part of the Government's position, commenced at 9.15 am. As a member, I did not find that a particularly acceptable way for the report's conclusions to be made available for scrutiny by members. However, I leave those points with the Improvement Service; perhaps the steering group could reflect on them when it discusses the report.

Colin Mair *indicated agreement.*

The Deputy Convener: Thank you for attending.

Before we formally conclude this item, does Arthur Midwinter wish to say anything?

Professor Midwinter: In the light of the discussion and the committee's concern about the

estimates for efficiency savings, I would like to make a couple of points of clarification.

I felt that the report was helpful. To me, it confirmed the range of concerns expressed by the committee. As he always does, Frank McAveety homed in on the committee's concerns over the funding gap. I wish to make four key points on the basis of the report and the oral evidence.

First, the £122 million is an estimate, but what is important for us is that, as we said prior to Christmas, that shows that the scale of the savings delivered would be greater than the savings that were fed into the local government settlement. Councils are having to make savings that are well in excess of the figure—the figure that was quoted was probably the two-year figure, which is £168 million. In the first year, councils have recorded efficiency savings that are much greater than the target that they were given.

Secondly, why is that important? It is important because of the forms taken by the savings that councils have reported. In delivering those savings, councils had to go well beyond the efficient government initiative framework of the five work streams. The report is clear about that—councils save more money in other ways. Although there were efficiency savings, they were not based on the five work streams that were fundamental to the setting of the target in the first place. That is why I have consistently said that I could not see councils hitting those targets simply on the basis of the five work streams.

11:15

Thirdly, the report shows that there is a much greater emphasis in councils on savings than on outputs. That has been a constant concern of ours, and Colin Mair confirmed the difficulties that exist in that regard.

The final and most important point, in light of the discussion that we had in December, is that the savings are being applied to close funding gaps, not to reinvestment in services. That is totally contrary to the initial objectives of the initiative. The report shows that the issue for funding shortfalls of councils using savings to close funding gaps has implications for next year's council tax levels that still need to be addressed.

Once or twice, the discussion touched on the question whether something is an efficiency saving or a budget cut. My view is that, with regard to the settlement that is currently planned for next year, if councils want to have money to reinvest, in addition to meeting the other targets, they will have to trim some services. They will not be able to do everything on the basis only of efficiency savings, whether those savings come under the five work streams or the wider definition of efficiency savings that councils have been using.

The Deputy Convener talked about statutory performance indicators, which are not helpful for measuring outcomes. However, Colin Mair was talking about internal performance management systems. Most councils will make some use of the SPIs—they have a statutory duty to report on them. However, very few of the SPIs measure outcomes. A lot of them are concerned with detailed operational matters, such as unit-cost measures or the time that it takes to deal with a planning application, and they are not particularly useful in addressing the big issues. I would have thought that most councils would have their own performance management systems that make use of wider issues. They cannot possibly rely simply on the statutory SPIs, because the SPIs are not adequate for that purpose.

The Deputy Convener: Your comments suggest that three issues arise in relation to our getting to a point at which, as Jim Mather said, we can assess whether a difference is being made. The first is that a reliance on SPIs will not be adequate. The second is that consistency across all local authorities' performance management systems is unlikely. The third is that it is unlikely that the frameworks will give us much indication of what progress has been made, year by year, in tackling the wider economic, social or environmental challenges that might be part of the aspirations of the Government.

Professor Midwinter: Your second point is confirmed by the best-value audit reports that have been issued so far. Some councils are being criticised for not having developed performance management systems, whereas others are well ahead of the game. Getting consistency within that mixed performance will be difficult.

The Deputy Convener: Does anyone have any comments on what Arthur Midwinter has said?

Jim Mather: I have a comment on what Colin Mair said. What we have heard today is breathtaking. People are trying to develop measuring mechanisms on the hoof. They have taken no input from any other people who have made efficiency happen anywhere else on the planet. That is outrageous. The fact that the five criteria that I gave—which might seem obscure but which are fundamental ideas that have turned around company after company and country after country—are not being met means that we are not going to get the efficiency savings that need to be made. What we have heard has simply reinforced my scepticism about the whole process.

The Deputy Convener: We will return to the issue of efficient government on a perpetual basis. The views that have been expressed will help us to advance our discussion.

Criminal Proceedings etc (Reform) (Scotland) Bill: Financial Memorandum

11:19

The Deputy Convener: With regard to the Criminal Proceedings etc (Reform) (Scotland) Bill, the paper from the clerk proposes that we adopt level 2 scrutiny, which will involve seeking written evidence from the bodies that are outlined in the paper on which costs will fall, and taking oral evidence from Executive officials. Do members agree to that suggestion?

Members indicated agreement.

Item in Private

11:19

The Deputy Convener: Under agenda item 3, I ask members to agree to consider our draft report on the inquiry into the cost of the local authority single status agreement in private at next week's meeting and at any subsequent meetings. Do members agree to do so?

Members indicated agreement.

11:19

Meeting continued in private until 11:57.

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