

# **FINANCE COMMITTEE**

Tuesday 20 June 2006

Session 2

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## FINANCE COMMITTEE

### 18<sup>th</sup> 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:

Morris Fraser (Scottish Executive Finance and Central Services Department)

George Lyon (Deputy Minister for Finance, Public Service Reform and Parliamentary Business)

Jean MacLellan (Scottish Executive Health Department)

David Robb (Scottish Executive Finance and Central Services Department)

Diane Strachan (Scottish Executive Health Department)

#### CLERK TO THE COMMITTEE

Susan Duffy

#### SENIOR ASSISTANT CLERK

Rosalind Wheeler

#### ASSISTANT CLERK

Kristin Mitchell

#### LOCATION

Committee Room 1



# Scottish Parliament

## Finance Committee

*Tuesday 20 June 2006*

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

### Relocation of Public Sector Jobs

**The Convener (Des McNulty):** Good morning. I welcome members, the press, the public and our witnesses to the 18<sup>th</sup> meeting of the Finance Committee in 2006. Before we begin, I remind everyone to switch off all pagers and mobile phones. We have received apologies from Wendy Alexander.

The first item on our agenda is to consider the latest report from the Scottish Executive on its relocation policy. After producing our report on the policy in 2004, the committee agreed that the Executive should give us a six-monthly update on progress. We last took evidence from George Lyon, the Deputy Minister for Finance, Public Service Reform and Parliamentary Business, in December 2005 and I am pleased to welcome him back. With him is David Robb, head of the Scottish Executive's public bodies and relocation division. Welcome again, David—you were here last week.

**David Robb (Scottish Executive Finance and Central Services Department):** It is three in a row—I will be here next week, too.

**The Convener:** Also with the minister is Morris Fraser, also from the public bodies and relocation division. He was at the meeting six months ago, so he is not such a frequent visitor. As usual, we offer the deputy minister the opportunity to make a short statement. We will then invite questions from members.

**The Deputy Minister for Finance, Public Service Reform and Parliamentary Business (George Lyon):** I thank the convener and the committee for this opportunity to address you on the progress that we have made on our relocation policy over the past six months. I welcome your continuing interest in it.

In April, I provided a written response to some of the issues that were raised in the committee's previous discussion on the subject. Last week, I sent the committee a six-month report, which provided an update on our progress on location reviews and on progressing the policy. As the report shows, the policy has delivered successful outcomes throughout Scotland. Three thousand jobs have been decided on to date, and we have delivered the benefits of Government jobs to

communities across the country. In the south, we have delivered jobs to Galashiels and Dumfries. In the Highlands and Islands, we have made decisions that will bring benefits to communities as diverse as Inverness, Kinlochleven, Campbeltown and Tiree. There have also been gains for Aberdeen, Dundee and, more recently, Glasgow.

The most recent decision was to relocate the headquarters of sportscotland to Glasgow. With that decision, not only have ministers made a commitment to help with the regeneration of the east end of Glasgow; we have also indicated our support for sport in Scotland. Locating the headquarters in the proposed national indoor sports arena will benefit a range of sports and will send a clear signal about our commitment to the Scottish contribution to the 2012 London Olympics and to the Glasgow bid to hold the Commonwealth games in 2014. I recognise the challenge that the move will present to the sportscotland staff. Our relocation team and staff in the sponsor division will give them all the necessary support in the run-up to the move.

It is worth highlighting the establishment of nine jobs in Alloa with the convener of the water customer consultation panels, which comes under the small units initiative. When I was last before the committee, I undertook to press for more small unit moves. I hope that that latest one will be the first of many to come. I also take this opportunity to welcome the latest move of jobs to Scotland from the south-east of England. The national wildlife crime unit, which was previously based in London, will now be headquartered in North Berwick. Although only 10 jobs are involved, I am determined that the move will be used as an example to other organisations that are considering moves from London to show that Scotland is a realistic and practical option.

There will be further opportunities for Scotland to benefit from United Kingdom department relocations over the coming years. My officials recently met their counterparts in the office of government commerce, which co-ordinates advice to UK departments on forthcoming relocations. The OGC senior managers will spend some time in Scotland later in the summer to see for themselves what we have to offer. We will work closely with local authorities and enterprise companies to ensure that, together, we can offer comprehensive packages to UK Government departments in order to attract UK jobs to Scotland. I say "together" because, when competing against some of the larger English regions and Wales, it will be vital for Scotland to present a united case.

The committee will be aware that Audit Scotland has been conducting its own investigation of the relocation policy. We have been working closely

with Audit Scotland on the investigation, not least because we hope to learn from its conclusions. Its investigation has concentrated largely on the earlier relocation projects, many of which were considered by the Finance Committee's investigation in 2004. We hope that Audit Scotland's conclusions will largely reflect the issues that have already been raised by the Finance Committee, which the Executive has since tried to address.

The main difference between the Finance Committee's findings and the Executive's subsequent actions to improve implementation will concern evaluation. We hope that, together with Audit Scotland, we will be able to provide robust evidence about the impact of the policy on both organisations and communities. I previously gave a commitment to the committee that we would publish details of our own evaluation in the summer. That remains our goal, and we will do that, so that our evaluation can be placed alongside Audit Scotland's conclusions.

It is my hope that Audit Scotland will note that location reviews and projects undertaken since the committee's 2004 report will reflect the improvements that we have already made. We stand ready, however, to take on board Audit Scotland's comments and to make any further necessary refinements to the policy.

The committee has previously explored the interaction between relocation policy and our efficiency and best-value policies. I am pleased to inform the committee that, in an effort to establish a basis for taking those strands forward together, ministers have asked for a comprehensive audit of all property used by the sponsored parts of the public sector over the coming months. We will collect information on occupancy levels, rental costs, property values, property type and use, as well as on a range of other essential matters. The outcome of that audit of the whole estate will give ministers the vital information that is required to tackle underoccupancy and to consider relocation opportunities even more strategically in the future. It will also help ministers realise the potential within existing Government-funded accommodation.

For the first time, we will be able to set practical benchmarks for cost and occupancy levels across the funded estate. That is the first step in our plan to drive forward efficient government throughout the sponsored public sector through improved asset management.

We will be retaining the existing triggers for relocation, and we are pressing ahead with the reviews that are currently in progress. There are a number of organisations about which I hope to make announcements in the very near future. The committee will be interested in progress on the

review of Registers of Scotland. Ministers' consideration of the partial move that we signalled at stage 1 of the review is nearing completion.

In conclusion, I take the opportunity to restate my commitment to delivering on the objectives of the relocation policy and to working with the committee continuously to improve implementation of the policy.

**The Convener:** Annex C of the evidence that you have submitted relates to the evaluation of the Scottish Public Pensions Agency's move to Galashiels. You focus on three criteria: "Supporting Fragile and Declining Communities"; Helping Areas of Economic Hardship & Deprivation"; and "Decentralised and Sharing the Benefits of Public Sector Employment".

I want to ask about the operationalisation of the move. It is a strange analysis that results in Edinburgh being ranked 11<sup>th</sup> in Scotland for economic hardship and deprivation. I understand how that could happen if you analysed deprivation money in the context of those pockets of Edinburgh that suffer from deprivation, but that does not give a picture of Edinburgh's true economic situation. Why have you used the Scottish index of multiple deprivation statistics as the basis for your analysis? Surely it would have been better to use an economic prosperity indicator, rather than an SIMD-driven factor, to make that assessment?

**Morris Fraser (Scottish Executive Finance and Central Services Department):** That is a good point. However, we are attempting to do something that is consistent with our guidance and that we would like to do in all areas. In our guidance, we have set out the six indicators that we would like to use to allow people to make a good, balanced decision. Having done that, it would not be a good idea for us to use something else to justify a decision. We are saying that the costs that will come out in the near future are not the only good way of measuring what we have done. We are looking in the cold light of day at the indicators that we have encouraged people to use to make a decision, to see how the criteria were met. That is not to say that we will not provide an accompanying narrative that indicates that Galashiels is good for the following reasons. We are simply providing evidence that we have used—and will continue to use in all reviews—the cold stats that we are advised are best for socioeconomic purposes. We may want to highlight other issues when the review is finished, but we have provided an indication to the committee of the standard issues that we are examining.

**The Convener:** I see clearly why you would want to send jobs to Galashiels, Dumfries and other areas in the south-west of Scotland, on the

basis of economic advantage. However, I do not see why deprivation statistics, in which Edinburgh, the most prosperous and dynamic area of Scotland, scores relatively highly, are relevant in that context.

**Morris Fraser:** What you say is true, convener. Two of the three main objectives of our policy are decentralisation and dispersal. Some areas of Edinburgh score more highly than others. We have started to talk to the City of Edinburgh Council, so that it can identify places in Edinburgh where it would like us to retain jobs. That information will be published and will form part of our assessment in the future.

**The Convener:** We are talking about employment issues, but Edinburgh is a single travel-to-work area. It is difficult to locate jobs in such a way that there is a narrow impact on a particularly disadvantaged community in Edinburgh. I suspect that if an organisation were relocated to one of the more disadvantaged communities in Edinburgh, people would simply commute in and out. To what extent is it appropriate to use a deprivation indicator in that context?

10:15

**Morris Fraser:** That is a good question. We have good evidence on exactly the kind of situation that you describe. In the west of Edinburgh, the Gyle shopping centre was built partly to tackle disadvantage in the area; however, a staff survey carried out a year later found that nobody who worked in the Gyle lived in the disadvantaged area. They all travelled in. Working with regeneration colleagues, we would like to tackle that kind of problem. In future projects, we hope to be able to skill people up and give them a good opportunity to apply for jobs that they would previously not have applied for.

The use of the Galashiels indicator was just to show the committee how we are applying the methodology. You are right to suggest that there are areas of Edinburgh and elsewhere for which we will have to be realistic about how we approach relocation.

**The Convener:** I do not see how using an indicator that suggests putting jobs in Edinburgh rather than Galashiels, or any other area that will clearly benefit from those jobs, can be justified.

**Morris Fraser:** Figures show that unemployment in Edinburgh has not grown over the past seven years. The working-age population has increased and employment has grown. The overall situation in Edinburgh is healthy, but you are right to make the comparison with Galashiels. The reason we are publishing the indicator is that it shows the realistic approach that we have to take.

**The Convener:** An economic disadvantage indicator should be driven by the number of people seeking work who lack alternatives.

**George Lyon:** The indicator also has to capture wider information about age profiles and low wages in different local economies. Like many parts of Scotland, Galashiels probably has a high number of elderly people. Such information has to be fed into any assessment of how successful a relocation has been.

**Mr John Swinney (North Tayside) (SNP):** Why are we relocating jobs if the economic hardship and deprivation assessment shows Edinburgh to be in such a perilous position? That is what your table of figures suggests to me.

**George Lyon:** That is just one strand of information involved in the evaluation, and I do not think that we want to focus—

**Mr Swinney:** With the greatest of respect, it is not a particularly meaningful piece of evidence. If you presented information on the number of people in an area who were trying to find employment, or information on their age profile, and if that information confirmed all the points that you were making, that would be fine. However, this table seems to me to undermine the whole thrust of your policy.

**George Lyon:** You have to be careful—that table is only one piece of information. We are working closely with Audit Scotland on the evaluation process. The table is an example of some of the information that will be captured to give good figures for the committee. Audit Scotland is also working to produce information for the Audit Committee on the same subject—trying to evaluate the impact of previous relocations. I take your point, but this is just one particular piece of information.

**The Convener:** Let me take you on to another piece of information—the table headed “Decentralised and Sharing the Benefits of Public Sector Employment”. The figure for Edinburgh is 27 per cent for public sector employment, although I am not sure whether the figure has gone up or down, because no commentary accompanies the table.

**George Lyon:** You would have to look at the comparator to evaluate that.

**The Convener:** That is what I am trying to do; I am trying to make sense of all this.

If the argument is that we should switch jobs to areas where the percentage of public sector employment is lower, that might mean taking jobs away from a deprived area, such as Inverclyde in the far west of Scotland. I would find that difficult to justify.

My argument is that you need to decide politically what you want to do and then consider what the critical criteria are in that context. I am concerned that criteria are being applied without a clear political vision of what you want to do. Last week, we had lots of information that Inverness is booming and that there are employee shortages, yet Inverness scores relatively high on the criteria for relocating jobs. How can that be justified in the context of an economic assessment?

**George Lyon:** Clearly, the process is to evaluate relocations that have already been undertaken. We have provided some of the factors that are being taken into account in the evaluation. We will report back to the committee on that process. At that stage, we can engage on whether the evaluation is correct or whether more emphasis needs to be put on other factors. We have given information on our first approach in trying to ensure that we have an evaluation that gives us information on how effective relocations have been in improving the economy and the prosperity of the areas that are involved.

**The Convener:** I take you back to the committee's report, which started from the argument that relocation should be used as an economic instrument to regenerate or provide economic development in the receiving areas. For example, we were told when we went to visit the SPPA site that the relocation had significantly improved the economy of the Borders area, particularly that of Galashiels. Our question was why the move was not more integrated into the strategy of Scottish Enterprise Borders at the time and factored forward. It is interesting that there is nothing in the paper that you have given us to say that that link is being made in Inverclyde, West Dunbartonshire, Dumfries or anywhere else. There is no sign that people are thinking about how the relocation process will build the economy in the areas that are involved. That is why I question the criteria that we are putting in place, which seem to be technocratic rather than strategic. Can we please have strategic criteria?

**George Lyon:** That is a fair point and we will certainly consider it.

**Mark Ballard (Lothians) (Green):** You have made it clear that the criteria are for evaluation. What will the impact be if you find in the evaluation that, using the criteria of decentralising and sharing the benefits, you have transferred jobs from an area that has proportionately lower public sector employment to an area with higher public sector employment and from an area—Edinburgh—that ranks 11<sup>th</sup> in terms of economic hardship and deprivation to areas that rank lower in that respect? What will the impact be if you find that you have transferred jobs from Edinburgh to areas that are less deprived and which have higher public employment?

**George Lyon:** We will have to wait until the evaluation is completed before we consider that. Clearly, we are talking about only one strand of the evaluation. A wider approach must be taken, because we cannot simply compare the number of civil service or public sector jobs in one area to the number in another. We need to take a wider approach and carry out a proper evaluation of the effects on the wider economy and of whether the organisations have received benefits. The information from the SPPA is that the move has had a significant positive impact on how the organisation is run and has been of benefit to the area, too.

**Mark Ballard:** You list three socioeconomic criteria. What are the other criteria and when will we see them?

**Morris Fraser:** The socioeconomic criteria make up half the argument at stage 1 of the review. The review is done in two stages. The first stage balances the three important socioeconomic criteria with the business needs of the organisation. The SPPA would be interested not so much in the impact on unemployment in Galashiels, but in the fact that it would save hundreds of thousands of pounds in rent every year by being in Galashiels rather than Edinburgh.

Stage 2 of a review is a value-for-money assessment of various options. In making a location decision, the socioeconomic criteria are important, but they are not the overriding factor. Without prejudicing a later report, our evaluation will say that the SPPA's current location is beneficial. The SPPA has lower staff turnover, less absence through sickness, more space per person and, arguably, a happier and more sustainable workforce. The socioeconomic discussion of whether Edinburgh is a better place than Galashiels is interesting, but our evaluation could show the committee and others that the balance has been struck.

**The Convener:** I am sure that it could, but the deprivation indicators are almost irrelevant. The real issue has to be the characteristics of the labour markets in the areas that you are describing and how relocation can be linked to a strategic vision of economic development in those areas. Otherwise—members of the committee have made this point before—you will end up always relocating to the same places, which has concerned the committee for a long time.

I support strongly the idea that we should use the transfer of public sector jobs out of Edinburgh to regenerate the economies of other areas of Scotland that require reinvigoration. However, you have to do that in a strategic way, put in place the right mechanisms to analyse what you are doing and integrate that approach with other economic activities. The problem that I have is that I do not



really get a sense of that from what you have told us.

**Morris Fraser:** What you are looking at is the outturn of things that happened before we came along. As we reported to the committee before—this point is crucial—we will no longer rely on local authority level data for this kind of thing. You referred to strategic decisions for the future. We have now published a list of more than 90 locations where local authorities and enterprise companies have identified that we need to put people. We have taken a strategic view and we are considering indicators not at local authority level, but at much more local level. That means that we would not consider the whole of Clydebanks, Dumfries or Dundee, but particular parts that the local enterprise company would tell us were a good location for us. The Borders might have a high working-age population and low unemployment, but there will be bits of it where that is not the case and where we really need to concentrate our effort. That is what we are trying to do.

By the end of July, we will publish our full database with all its background information. Right now, for future relocations and location reviews, we will consider not just the local authorities that we are discussing, but will take a much more strategic approach based on where the need is. That is a crucial point. We made a commitment to that and we will deliver on it. What we are considering today is more in the past tense.

**The Convener:** There is a balance to be struck between location, targeted location and having economic information at a big enough scale for it to be meaningful. You need to consider travel-to-work areas.

**Jim Mather (Highlands and Islands) (SNP):** Rather than showing the change in working population in the Borders, Edinburgh and Scotland, it might be helpful if we had data showing the proportion of working-age people in those areas, the proportion of those people in work, and the proportion of them who work in the area rather than commuting out of it. That would give us a much better feel for the balance of advantage.

10:30

**David Robb:** Some of the economists who worked with us on the measures are present in the public gallery. I am sure that they are taking careful note of your suggestions. As with any basket of indicators, there is scope to look at their refinement. In previous discussions, we have explored some alternatives, but all your helpful suggestions will be carefully noted today.

**The Convener:** Moving on to finance matters, from which budget do the costs of relocation typically come?

**George Lyon:** They typically come from portfolios, although there is a small budget of about £500,000 for the small units initiative, which has helped some of the small units to relocate.

**The Convener:** How is the impact of relocation on portfolio budgets handled?

**George Lyon:** In many cases, the analysis is that there is financial pay-back over time. Although there might be some upfront costs, savings will be made over time. It is up to individual portfolios to manage their budgets to cope with relocation.

**The Convener:** If we were to track the relocation of SNH—the obvious choice—what is its impact on the Scottish Executive Environment and Rural Affairs Department's budget?

**George Lyon:** As that was such a big relocation, some central funding was provided to assist with it.

**The Convener:** Will you quantify that?

**David Robb:** We do not have the figure at our fingertips, but we can supply information about how much was added to the SEERAD portfolio budget as a result of that central funding.

**The Convener:** I presume that that was not a one-off cost in a single financial year because there are several different dimensions to the cost. Is it possible to show how that cost has been allocated to the SEERAD budget over the period to display which aspects are one-off costs and which are bolted onto the budget to take account of increased costs?

**George Lyon:** I am happy to provide that detailed information to the committee.

**The Convener:** Has SEERAD had to contribute an element of the budget above and beyond the central funding?

**George Lyon:** Yes. We will show the percentages in the information that we will supply to the committee.

**Dr Elaine Murray (Dumfries) (Lab):** Before I ask about financial matters, I ask about information in annex A to the relocation policy paper. Have any of those examples been decided under the new policy or were they all decided under the previous policy?

**Morris Fraser:** It is not a new policy as such—it is more a revised one. A body such as Transport Scotland is a good example of development since the policy came to live with David Robb's division. A number of the small units have been under the new regime, so to speak, allowing us to evaluate

them much more easily and get a better handle on costs.

**Dr Murray:** Most of the relocations that are detailed in annex A are still to the cities and the central belt; not many are going to rural areas or outside the usual suspect places. If that is the case under the revised policy, it is disappointing, because that was why we undertook our review of the relocation of jobs in conjunction with the Executive. I note that not many agencies are relocating to your constituency, minister, or to mine.

**Mr Swinney:** Or mine.

**The Convener:** Or mine.

**George Lyon:** Are there any other bids from around the table? I note that Frank McAveety is silent on the matter.

**Mr Frank McAveety (Glasgow Shettleston) (Lab):** If the SNP gets elected, no jobs will come to my constituency either.

**Dr Murray:** Let us look at how the cost analysis is carried out for decisions on whether to lease or purchase a property. The original figures for SNH that indicated that leasing would be cheaper than buying were based on an eight-year analysis. A subsequent indication was that we ought to spread the costs of relocation over 15 years so that we could compare like with like. We also had information that if we looked at the SNH situation over 30 years, the purchase option would cost only £13 million, but the leasing option would cost £43 million. If we were to look at the situation over 15 years, how would the purchasing and leasing options stack up for SNH?

**Morris Fraser:** The idea of 15 years was introduced by Sir Michael Lyons. The Treasury green book that tells us how to do option appraisal suggests that we can use anything up to 30 years, just to ensure that things are done in the right way. Sir Michael suggested that 15 years was the best way forward. We agree with that—there is no evidence to suggest that that is bad. However, whether one buys or leases will depend on the cost of the building. If it is more than £20 million, one might want to consider a private finance initiative or a public-private partnership. If it is under £20 million, it is probably not worth it. There will be a number of options to consider.

I am not an expert on this, but my understanding is that in the long term it is always better to own property than to lease it. The figures that Dr Murray has just quoted are correct. Over 30 years, it would appear that the SNH lease option would be much more expensive than the purchase option. That bears out. To give ministers the fullest advice we can, we recommend 15 years for option appraisal before a decision is made. I have not looked at the SNH option over 15 years, but you

are right that over 30 years it would seem a lot cheaper to do what SNH has done, which is to buy the property.

**Dr Murray:** It is a bit confusing. You talked about savings being made and so on, but it is difficult to quantify those savings if we are talking about very different periods.

**Morris Fraser:** That is right. The minister has undertaken that, when we are sharing with the committee the options that ministers consider in making decisions, we will try to standardise them as much as possible, so that the committee can see exactly what it is that ministers are looking at. The options that ministers look at will normally be over 15 years. However, once a decision is made, the funding of the option could take three years or 30 years. It is important that everyone sees that as transparently as possible. In the SNH case, ministers have quoted up until 2011 in their initial assessment. It is right that the ministers give you that figure to show you exactly what the taxpayer and the Parliament will be helping to fund.

**Dr Murray:** If you look at it to 2011, contrary to what was said at the time—when we were told that it would be cheaper—the purchasing option is more expensive.

**Morris Fraser:** That is why a longer-term view is important. If, over 10 years, purchasing costs £10 million more than renting, it looks more expensive but, as you rightly pointed out, when we look at it over a longer term, leasing will always be more expensive.

**George Lyon:** To give you an update, the relocation project board forecast on the outturn for the project is £2.543 million below the budget of £17.822 million. The original estimate for the redundancy costs was £8.266 million, but those costs are now expected to come in at around £7 million. That is the up-to-date position on the current financial projections.

**Dr Murray:** Which part of the budget are the redundancy costs for the relocation of SNH coming from? Are they coming from the department's budget or from the central contingency fund?

**George Lyon:** They are coming out of the SEERAD budget.

**Dr Murray:** Over how long a period?

**Morris Fraser:** Until 2011.

**Dr Murray:** Over that eight-year period.

**The Convener:** Can you tell us the cost of the SNH relocation over 15 years, which was the period used in your initial modelling?

**Morris Fraser:** If the committee would value that, we could provide it, but it would be an

economic costing. What people are more interested in is the financial outturn, which is exactly what SNH has been reporting and what it has told this committee.

**Mr Swinney:** Will you explain the distinction between those two points of interest again, Mr Fraser?

**Morris Fraser:** I am sorry—I do not mean to be technical about this. The way in which ministers make decisions on net present value is based on economic costs and financial costs at the same time, but economic costs—which are what Audit Scotland will report on—allow us to take account of non-financial aspects. Economic costs are what the Treasury green book and Audit Scotland would ask us to take account of. Economic costs are what we would like to report to and our valuation will be published in those terms. Our commitment to you is that we will tell you the sort of things that ministers considered in making decisions based on both the economic and the financial outturn.

**Mr Swinney:** When will you be in a position to provide that information to the committee?

**Morris Fraser:** Ministers take decisions on location and relocation on economic grounds. We have provided such information in the past—we have published a number of reviews—and we have given a clear undertaking to the committee that we will provide the reasons behind all future ministerial location decisions and the figures on which those decisions are based. In most circumstances, such decisions will be taken on economic grounds and will be based on a 15-year period. There may be some circumstances in which 15 years is not the right period to apply, but that is the way in which we would like things to be done; that is what Sir Michael Lyons suggested.

However, once a decision has been made and people start to ask how much it will cost them as voters and taxpayers, that is much more of a financial discussion. We are no longer talking about the benefits to Inverness, for example; we are talking about the cost to the SEERAD budget. We report that in financial terms and that report will be based on how long it will take to pay for the relocation. I assume that you do not want to hear about a 15-year NPV comparison that takes on board non-financial factors; you want to hear about how many pounds we are spending.

**The Convener:** We do want to hear about such a comparison.

**Mr Swinney:** We want to hear about that, but we also want to hear about the pattern of the financial costs. We want to know whether that pattern is in line with the pattern on which ministers based their decision. When can we get an update on that?

**Morris Fraser:** In each case, the financing will take a different number of years.

**Mr Swinney:** I am referring to the SNH example.

**Morris Fraser:** Sadly, I am not an expert on the SNH example. SNH has produced figures that lead up to 2011, which give an indication of how much the organisation thinks that it will spend. Those figures, which are in the Scottish Parliament information centre, will be revised constantly as SNH recruits new people and as existing staff decide whether they want to take redundancy packages or moving packages. That will be reported on regularly, as and when the figures become available.

**George Lyon:** There is one point that I would like to add. The experience to date has been that virtually all the relocations have come in under budget because the budgets have been set quite conservatively. For example, it looks as if the relocation of the Accountant in Bankruptcy will come in at about 50 per cent of the original cost estimate.

**Dr Murray:** Let us consider the economic analysis rather than the purely financial one. How do you track the economic performance over a period of time? Do you consider the number of jobs that are created or the additional money that is brought into the local economy? How do you take a more holistic view of what a relocation has meant to an area?

**Morris Fraser:** That is the nub of our evaluation publication, which we are producing alongside Audit Scotland. Audit Scotland is examining the same subject.

One of the best examples on which work has been published has been the SPPA. The SPPA employed a group of consultants to work out the impact of its relocation on the Galashiels economy. In their impact assessment, the consultants concluded that the relocation had led to the generation of £6 million a year in the Gala economy. Our economists would challenge some of the assumptions that were made in that study, one of which was that people who live in Galashiels spend all their money there. Our evaluations assess the impact on the local economy.

**Dr Murray:** Will the evaluation be done by the Executive or by consultants?

**Morris Fraser:** It will be done along with Audit Scotland. Audit Scotland will publish what it thinks the impact of the policy is. We are working with Audit Scotland on that and we also make our own comments.

**The Convener:** We cannot send any other public sector bodies down to Galashiels because,

if we do, no one will be able to get on the Borders rail link.

**George Lyon:** That is why we are having to put in the extra station.

**The Convener:** I will just repeat the answers that we have had to our questions. In your submission, you say:

"The costs and benefits of any move will now always be expressed in net present value terms over 15 years unless a project will take longer to complete."

However, today you are not in a position to give us the net present value over 15 years of the SNH relocation, which is probably the most controversial of the relocations. We have asked you what the central contribution is and you have not been able to answer that. We have asked you how much is being paid out of the SEERAD budget for that relocation and you have not really been able to answer that. I appreciate the fact that you may not be able to answer those questions just now, but there is an issue about your being able to give us information speedily on those kinds of questions.

10:45

**George Lyon:** I give the committee the assurance that you will get that detailed information in the breakdown that you have requested as soon as possible.

**The Convener:** That is information that you should have, especially in the context of the criteria on which you have said that you are going to make decisions.

**Mr Swinney:** If my memory serves me correctly, it took four months for the information to come after the minister's previous appearance before the committee. Could we have the information a bit quicker than that, please?

**George Lyon:** I will ensure that that happens.

**Mark Ballard:** I have some questions on transferability, but first I seek clarification from Morris Fraser on the previous subject. You are going to carry out an evaluation of the impact on Galashiels of the SPPA's move and of the impact on Inverness of SNH's move. Will there also be an analysis of the impact of the loss of jobs from Edinburgh? Is that also part of the evaluation?

**Morris Fraser:** It has to be. Often we are not creating new jobs in the Scottish economy but simply moving where the jobs are, so we must consider the impact on Edinburgh as well as on where the jobs go. It appears that the Edinburgh economy has not suffered, but the full evaluation is yet to be published. That information will be part of it.

**Mark Ballard:** In your June report, you state:

"Over one hundred NDPBs applied to the Cabinet Office to be admitted to the register and to date, fifty eight of those have been approved. Approval has been on the basis of the provision of details of recruitment procedures which are in line with the principles used by the Civil Service. Fourteen of the approved bodies are Scottish".

How many Scottish bodies applied to go on the register and have so far not been put on the register?

**Morris Fraser:** I have two jobs. Efficient government has visited me and I do two things. The other thing that I do is look after a public body—the Standards Commission for Scotland—which has applied to go on the register but has not yet succeeded in getting assurance that it can do so.

Back in December, we supplied the committee with a list of all the bodies that had applied. I do not have that list with me just now, but I will provide you with an updated list from the Cabinet Office of all the bodies that applied.

**George Lyon:** The list is in annex B of the December report.

**David Robb:** It is in the December report.

**Morris Fraser:** Annex B of the December report contains a list of the bodies that applied. A disproportionate number—from the perspective of the Cabinet Office—of bodies from Scotland applied, partly because we have actively pursued this matter in David Robb's area.

The reason why not all the bodies that applied have been successful is that the Cabinet Office has to go through every application carefully to ensure that the way in which the public bodies recruit their staff is in line with the way in which the civil service recruits its staff. If it is in line with that—if it is open, transparent and fair—I guess that they will be given assurance that they can join the scheme, although it is up to the Cabinet Office to decide that.

**Mark Ballard:** I am slightly surprised that there is any question that a sponsoring department would not ensure that a non-departmental public body followed openness, transparency, equal opportunities and all the things that you are talking about.

**Morris Fraser:** Absolutely. It is just a matter of assuring the Cabinet Office about the process that the NDPBs have gone through—in fact, not so much the Cabinet Office as the Office of the Civil Service Commissioners. The way in which we recruit is very disciplined and rigorous; we just have to ensure that other people in public bodies are doing exactly the same things. You are right: there is no suggestion that people in public bodies are not doing a rigorous job; that just has to be evidenced.

**David Robb:** From memory, I think that there are two legs to the test: one is about the procedure for considering applications and the other is about the type of work. In some cases, there may not be enough comparability between the specialised functions of an NDPB and the work of the general civil service. That may become an issue.

**Mark Ballard:** So, bearing that in mind, do you think that it is likely that the Scottish NDPBs that apply to go on the register will end up on it? Are any timetabling issues involved?

**Morris Fraser:** I would not want to tell the Cabinet Office how to do its job. The issue is before it.

**David Robb:** Unless there are particular reasons, we would expect most to be accepted.

**Mark Ballard:** But there is a—

**The Convener:** Excuse me, Mark. I want to let in Elaine Murray.

**Dr Murray:** I have a brief supplementary on a point that we raised at our last meeting. Although Highlands and Islands Enterprise has applied, Scottish Enterprise has not yet done so. Is that still the case? If so, given the restructuring exercise that Scottish Enterprise has been going through, are you surprised that it has not applied?

**Morris Fraser:** As far as I understand, it is still the case that Highlands and Islands Enterprise has been accepted on to the scheme and Scottish Enterprise has not yet applied. It is for Scottish Enterprise to decide whether it wants to apply.

**Mark Ballard:** Sportscotland has applied, but our information is that as at April 2006 its application had not been approved by the Office of the Civil Service Commissioners. Does that mean that staff who do not wish to participate in the relocation to Glasgow will be unable to transfer into the civil service? Will they face redundancy?

**Morris Fraser:** Transferability applies for a two-year period from 3 April, as an initial pilot. If the scheme is still open in 2009, one would assume that sportscotland staff will have the opportunity to apply for any post that the Executive or other Government departments have posted on the gateway, as it is called. All Government departments publish the posts that they have not filled internally on that external gateway, which is open to other departments. NDPB staff will have access to the gateway. If the scheme is still open then, sportscotland staff will have access to the gateway in 2009 and presumably also in the period until 2009.

**Mark Ballard:** I have two issues with that, the first of which relates to sportscotland staff. If staff members—who, I imagine, are fairly specialised—

do not wish to relocate and cannot find another job through the civil service gateway, will they end up being made redundant? What will the situation be?

**Morris Fraser:** That is a management issue for sportscotland, which has to determine how best to persuade and encourage staff to do what it wants them to do. One of the options for sportscotland staff is that, instead of moving, they can look for the generalist and specialist jobs that exist in the Executive and other Government departments.

**Mark Ballard:** But the civil service will not necessarily be able to absorb all those people. Sportscotland may have to make major redundancy payments because its people who do not wish to move have no automatic transfer rights.

**Morris Fraser:** You are absolutely right. Public body staff have no automatic right of transfer; it is up to the individual staff member to decide what they want to do. One of the good aspects of the decision is that it will happen in 2009 or 2010. Between now and then, staff have plenty of time to decide what they want to do.

**Mark Ballard:** The second issue concerns the status of the scheme as a pilot project. When we heard evidence back in December, you said that it was intended that staff who used the gateway to transfer from an NDPB to the civil service would have continuity of service in relation to their pension rights. You also said that you were pressing the Cabinet Office for guidance on the matter. Have you received that guidance? If so, what does it say?

**Morris Fraser:** On that one issue, we have not had a firm reassurance as yet. We continue to press for it.

**Mark Ballard:** Could you explain how that relates to the point on the trial period or pilot project?

**Morris Fraser:** My understanding is that the Cabinet Office is running the project for two years and that it will be monitoring its success or otherwise to see how many people move and how many people it helps. If it helps a lot of people and is really good, I imagine that the Cabinet Office will decide to continue it. At the moment, it has just announced that it will be running it for two years and will be examining how successful it is.

**Mark Ballard:** So the situation for sportscotland staff is that if they decide not to transfer to Glasgow, there is no guaranteed job in the civil service for them and no guidance as yet on the continuity of pension rights if they get another job in the civil service. Also, because the relocation will not happen until 2009, although it has been announced now, there is no guarantee that the trial will continue. Is that not a fairly brutal outlook for sportscotland staff?

**Morris Fraser:** It is not our favoured outlook, but it is the reality of the situation. What you have described is exactly what the Cabinet Office has in mind. We will feed into that process, but it is the policy of the Cabinet Office and of the Office of the Civil Service Commissioners.

**Mark Ballard:** Do you have any idea when you are likely to get the guidance on transferring pension rights?

**Morris Fraser:** I do not. We hope to get it in the next few months, but I cannot guarantee when.

**Mark Ballard:** I am quite shocked that that is the position for sportscotland staff. I am surprised that there has not been any more detailed contingency planning for the situation in which those staff, many of whom have specialist roles, find themselves.

**George Lyon:** We hope that many will wish either to transfer or to travel through to Glasgow. That is one of the options open to them and we would encourage them and give them support to facilitate that as far as possible.

**The Convener:** Maybe we should take questions next from the member representing the constituency to which sportscotland is moving.

**Mr McAveety:** Would the same concerns outlined by Mark Ballard not also arise with any relocation over the next two or three years, given the decisions that are still awaited from the Cabinet Office? Surely they arise not only for sportscotland but for any organisation.

**George Lyon:** That is correct. Similar concerns arise for most relocations. In the case of a good number of the relocations, such as that of the Accountant in Bankruptcy, the majority of staff did not transfer but were relocated locally. In Tiree, 50 per cent of the staff were relocated locally and 50 per cent transferred from Edinburgh. There are different circumstances for each relocation and different numbers of staff will choose to relocate or to stay. That is the same across the piece. The work by the Cabinet Office is to try to provide another option for staff who are affected by relocation.

**Mr McAveety:** What are your observations on recent relocations from the capital city to Glasgow? Has there been a significant haemorrhage of key staff from those agencies when they have shifted to Glasgow?

**George Lyon:** We are not aware of big losses. Transport Scotland is probably the last body that was relocated, and I think that the majority of staff relocated.

**Morris Fraser:** There are a number of specialist transport staff for whom the relocation was an issue, and we are having on-going discussions about that. In general, however, we are not aware

of any problems. Despite our actively seeking people's views, nobody has come to tell us that that is a major problem.

**Mr McAveety:** Do you have any figures for the number of sportscotland staff who have indicated that they would not move?

**George Lyon:** We do not have that detailed information. It is also unlikely that there will be a final view on that, given that it will be 2009 before the relocation takes place. There were some early indications that a substantial number of people were not happy to transfer, but as the relocation is still a couple of years down the line it is perhaps a bit early to start coming to a firm view. People will have to examine their circumstances and consider whether there are other options for them.

**Mr McAveety:** One of the key commitments that parts of the country had to make in applying for a national sport facilities development—one of the principal objectives—was potentially to accommodate the headquarters of sportscotland. That means that the design and development of a national arena, which is to be in the east end of Glasgow, must take into account the need for offices and other support accommodation for sportscotland. Although staff may not need to move until 2009, what is the timescale for some of those other critical decisions?

As you may be aware, I am concerned about the fact that other individuals and parties may have a view about not relocating sportscotland's headquarters to the east end of Glasgow, which might have implications for the commercial and other major commitments that have been made by the local authority and for the development of the site. Do you have any sense of that at all?

11:00

**George Lyon:** I imagine that discussions are already taking place with the local authority—which is very involved in the project and is doing the construction work—to evaluate what office accommodation and space will be required for sportscotland once the transfer takes place. It will be up to the management of sportscotland to take a view on that.

**Mr McAveety:** Could the Executive take the view that binding commitments should be made, given that the development will involve a significant outlay from the local authority and other partners? Jeopardising that would be a significant misuse of public resources.

**George Lyon:** The Executive is fully engaged with both sportscotland and Glasgow City Council on the project to ensure that it goes smoothly and that the right decisions are made about accommodation and what is needed to get the project right. It is an important project, given the

bid for the Commonwealth games in 2014, and a lot of thought has gone into it. Patricia Ferguson is working closely with Glasgow City Council to ensure that the project goes as smoothly as possible and that the least possible disruption is caused to both the council's development plans and sportscotland.

**Mr McAveety:** I am aware that the council is involved in discussions with sportscotland and its staff. It is a difficult transition period, and it is hoped that those discussions will reassure staff. People are not being moved to some archipelago; they are being moved to an exciting part of Glasgow that is part of the gateway project, which was announced yesterday.

My final question is on the issue of the costs to the portfolio. You said earlier that, by and large, relocation costs would be met from the portfolio. I might be wrong about this, but I thought that, when pressed on the matter in the chamber, the minister said that the costs of the relocation would not be met from sportscotland's budget. Will they be met from the tourism, culture and sport budget?

**George Lyon:** The First Minister gave a commitment that there would be no reduction in funding for sport and that is the position. The move will take place in 2009 and there will be a spending review before that. The First Minister is already on record on that matter.

**Mr McAveety:** Will some of the other costs have to be found from within the portfolio rather than from the sport budget line?

**George Lyon:** It will be up to the portfolio to decide whether the initial costs can be met from within its budget. The First Minister is on record guaranteeing that there will be no reduction in sport funding. That is to be welcomed by everyone.

**Mr Andrew Arbuckle (Mid Scotland and Fife) (LD):** Let us move from the sportscotland relocation to the big one that is coming up—the Registers of Scotland relocation. We have two separate pieces of background information on it: one says that you are at stage 2; the other says that a shortlist has been approved. When do you expect to make a decision on the Registers of Scotland relocation?

**George Lyon:** We have taken some time to consider the Registers of Scotland relocation because it is one of the biggest so far. It is a partial relocation, rather than relocation of the full 1,300 jobs, which is important. We are close to a final decision; given its significance, it is important that we get it right.

**Mr Arbuckle:** In your opening remarks, you said that the Executive is carrying out a review of Government-owned assets. If you find that there

are Government-owned buildings in Edinburgh that are underused or which have a low rental value, will that affect the Executive's overall policy on relocation of public sector jobs?

**George Lyon:** The Executive already has information on its assets throughout the country. The review is about the NDPBs and other bodies that the Executive sponsors. We are gathering information from them to feed into that, which will give us a baseline asset register for the whole public sector in Scotland. That baseline will allow us to consider rental values and occupancy rates across the piece. It will provide opportunities for the efficient government programme and strategic opportunities to consider relocation and co-location, which is another important area of work that we are progressing. This is a significant step forward in taking a strategic overview of opportunities for progress in efficient government, relocation and co-location.

**Mr Arbuckle:** Another comment in your opening remarks was about the location of the wildlife crime centre in Berwick and its 10 jobs. The Chancellor of the Exchequer has announced that up to 9,000 jobs will also be dispersed from London. If Scotland has only received 10 of those jobs so far, we are not doing very well, are we? What influence does the Executive have in deciding on relocations within Scotland?

**George Lyon:** In response to your first point, a lot of work is being done by the Executive, by local authorities and by enterprise companies to ensure that we make the best possible case for Scotland to be among the relocation areas that are chosen by the UK Government. However, let us not kid ourselves; there is substantial competition around the country and we have to make the best possible case. That is why we are working with local authorities and enterprise companies to ensure that we propose what we think will be very attractive options for the UK Government to consider.

It should also be remembered that as part of the UK Government's efficiency drive, the expectation is that we are going to lose jobs in Scotland through rationalisation in the Department for Work and Pensions and elsewhere. No doubt we will hear about that in the not-too-distant future. It is therefore incumbent on us to anticipate where there might be job losses, and then to ensure that we make the case that we would like benefit to come to Scotland from the UK relocation policy in order to balance the inevitable job losses that will result from the efficiency drive down south.

**Mr Arbuckle:** The final decision on UK relocations lies with—

**George Lyon:** The decision will lie with Whitehall, but it is up to us to make the case. That is our role and that is why we will be meeting the

UK Government in the summer. Representatives are coming up here to be shown around some potential opportunities. Our role will be akin to that of the enterprise companies and local government in trying to attract jobs in those relocation opportunities. We intend to pursue that, given the threat from the efficiency review that is happening down south.

**Mr Arbuckle:** I wish you luck with that.

**Mr Swinney:** The Minister for Finance and Public Service Reform gave his statement on efficient government last Thursday. I am struck that the convener of the water customer consultation panels has relocated jobs to Alloa. In the context of efficient government, why was it not decided to locate the water customer consultation panels jobs in the vicinity of the water industry commissioner, who is the economic regulator of the water industry? One is the customer voice and one is the economic regulator. One is located in Stirling and the other is located in Alloa, which are hardly at opposite end of the country, but if we need those two bodies—I question whether we do—why was energy not put into co-location in order to save the taxpayer some money?

**The Convener:** The two bodies were co-located, but it was decided to move one.

**Mr Swinney:** There we are; that is even worse; we are now relocating from the hotbed of Stirling in to Alloa.

**George Lyon:** As I understand it, the building was not big enough for both bodies to share and the water customer consultation panels convener thought that Alloa was the right place to which to relocate.

**Mr Swinney:** Surely the decision to relocate two bodies that play largely similar roles—one from the economic perspective and the other from the customer perspective—to make them something like nine miles apart, with all the costs of setting up separate buildings and facilities, does not suggest that a terribly coherent approach is being taken or that things are joined up.

**George Lyon:** As I understand it, the building was not big enough to accommodate both bodies. Moreover, they took the view that they did not wish to be located in the same office.

**Mr Swinney:** Did they not get on during tea breaks?

**George Lyon:** They believed that there was a conflict.

**The Convener:** They could not share the water cooler.

**Mr Swinney:** The map in the Scottish Executive's update paper tells us all that we need to know about the relocation policy. Although a

couple of bodies have been relocated to the south-west, the Borders and Argyll, the relocations have been concentrated mostly on the cities in the central belt. Absolutely no jobs have been relocated to the communities that I represent—indeed, none has been relocated anywhere in Perth and Kinross or Angus. Given the factors that were highlighted in the evaluation assessment under the headings “Supporting Fragile and Declining Communities”, “Helping Areas of Economic Hardship & Deprivation” and “Decentralised and Sharing the Benefits of Public Sector Employment” around the country, I would have thought that areas such as rural Perth and Kinross and rural Angus, where there are significant areas of deprivation, where there is a need for decentralisation of responsibilities and where fragile and declining communities need support, would pass the test. Is there some mark on a map somewhere that means that Perth and Kinross and Angus do not benefit from this policy, or does the methodology need to be improved to put them higher up the economic pecking order?

**George Lyon:** There is no map anywhere with a line through Perth and Kinross or Angus. Other local authority areas are in the same position and MSPs regularly make representations to me on relocating jobs to their areas.

Historically, it is true that a good number of bodies have been relocated into the central belt. However, in the past couple of years, a significant number have been relocated outside the central belt, and I am sure that Perth and Kinross will be considered for relocations in the future.

**Jim Mather:** To return to our discussion on the Office of Government Commerce, I recall that when Chancellor Brown announced relocations out of London and the south-east he was talking more in the region of 20,000 jobs. Can we have confirmation of that figure, and a report on the policy's progress and the open allocation of jobs by nation and region?

**George Lyon:** The Chancellor of the Exchequer's commitment was to relocate 20,000 jobs by 2012. I am happy to provide information on how the United Kingdom policy is proceeding and where relocations have been made to date.

**The Convener:** Now that we have exhausted our questions, I thank the minister and his officials for giving evidence this morning. I presume that we will see you in six months.

**George Lyon:** Perhaps before then.

**The Convener:** I will suspend for a minute to allow a changeover of witnesses.

11:14

*Meeting suspended.*



11:15

*On resuming—*

## **Adult Support and Protection (Scotland) (Bill): Financial Memorandum**

**The Convener:** The next item on our agenda is the financial memorandum to the Adult Support and Protection (Scotland) Bill. As members will recall, we agreed that the bill should be subject to level 3 scrutiny, which involves inviting written evidence from bodies on which costs will fall. Last week, we took evidence from the Convention of Scottish Local Authorities. This week, we will take evidence from Executive officials.

I welcome Jean MacLellan, who is the bill team leader, and Diane Strachan who is also from the bill unit. I understand that Jean MacLellan will make a short opening statement. We will then proceed to questions.

**Jean MacLellan (Scottish Executive Health Department):** I do not know whether levity is allowed, but Diane Strachan and I feel that we are in need of some adult protection today as I am recovering from an eye condition and Diane recently broke her elbow. We are the walking wounded. However, we are here to provide a briefing and to answer any queries that members might have on part 1 of the bill.

As members will know, the bill has been introduced to respond to a number of pressures, including an initial report in the 1990s from the Scottish Law Commission, a series of Mental Welfare Commission reports on deficiency in care, the Borders inquiry and demands for action from an umbrella body called the Vulnerable Adults Alliance Scotland. In addition, Age Concern has called for elder abuse to be addressed—world elder abuse day took place last week—and there have been a number of public media campaigns on the need to enshrine in legislation measures that will symbolise and embody Scotland's commitment to protecting adults who are at risk of abuse.

The bill is essentially about inquiring and investigating, but we have had to grapple with a number of imponderables in order to quantify the costs of introduction. For example, prevalence rates are thought to be somewhere between about 4 per cent and 7 per cent, but abuse is often hidden because of fear and shame. The policy will lead to greater awareness and reporting of abuse, but the extent of the changes that will be brought about by the policy cannot easily be quantified.

We have used available evidence wherever possible to make calculations that are as realistic as possible. For example, against the almost £14

million that has been costed for the bill, we need to offset the fact that we will not be starting from scratch. As the people who are more at risk of abuse are likely to be frail, aging, physically impaired or have a learning disability, they might be care leavers. Therefore, a proportion of the population will already be known to providers and will already be in receipt of services because of the complexity of their needs. Another important consideration is that many local authorities are already introducing structures, policies, procedures and training in anticipation of the bill. Therefore, some of the costs are already being absorbed.

After consulting on the main thrust of the policy and on the regulatory impact assessment, we took into account the views that had been expressed by making a number of alterations, of which I will highlight three. The main new structure that the bill will introduce is the adult protection committee, which is envisaged as an overarching strategic body. The main cost for that body is £3,000 per annum for an independent chair: we took that figure from the structure in the Borders. We have calculated one adult protection committee per authority, so the total figure will be £96,000. However, we anticipate that some authorities will work together, which should reduce the cost slightly.

Beneath that strategic body will be adult protection units, which will be a bridge between the strategic entity and the practitioners who conduct investigations. Again, those units are based on the Borders model. The adult protection unit will need a small staff group to inform and train practitioners and to provide some administration support, such as minuting for case conferencing. Initially, we took the Borders figure of £150,000 for its adult protection unit and multiplied that by the 32 local authorities. However, post consultation, we concluded that that method was flawed because the Borders makes up only one fiftieth of the Scottish population. On that basis, the cost for that element has risen to £7.5 million. Staff costs were also based on Borders formulas, which I am happy to discuss in detail, if the committee wishes.

We have also calculated costings for police investigations. Contributions from the local authority and the police will be critical; other groups will contribute to multidisciplinary working, but not to the same extent.

Training will be crucial to the policy's success. Five days of mandatory adult protection training is already being built into social work courses. From a separate pot, we are also funding two extensive pieces of research—one to create an audit tool to tell authorities how their policy is operating and to identify gaps, and the other to provide a risk

assessment tool that practitioners can be trained in. Beyond the unit input, we are also proposing regional training posts. We suggested four such posts in our consultation and, on the basis of responses, that has been increased to five. The idea of the regional training posts is to disseminate good practice and to create consistency in adult protection work.

In summary, I say that as far as they can be, the costings are evidence based. They have been consulted on and most respondents have approved. The total cost to the public purse will be approximately £14 million. That is thought to be sufficient to set up the necessary systems and to create the appropriate change in our culture.

**The Convener:** The committee has decided that the lead on this bill will be taken by Derek Brownlee and John Swinney. I invite one of them to start us off.

**Derek Brownlee (South of Scotland) (Con):** I appreciate what Jean MacLellan says about the work that has been done on costs and about the feedback to consultation. However, when Convention of Scottish Local Authorities witnesses were here last week, they did not speak about £13 million or £14 million but about an amount that would be perhaps double that. When I suggested that the national figure, if it was worked out proportionally from the Borders figure, would be even higher, the witnesses did not demur. If we assume that COSLA has done detailed work as well, the range of estimates—between the Executive's and COSLA's—is broad. Why is that? Why should the committee regard £14 million as a better figure than £26 million or higher?

**Jean MacLellan:** I will highlight a couple of points. We would all acknowledge that the Borders inquiry showed that some poor practice had to be rectified. COSLA said that an additional £1 million had been spent in the Borders. We argue that the local authority had to spend that money to take its services to the level that existed in other local authorities.

Much of the difference between our calculation and COSLA's relates to costs for care managers. Our figures are based on research relating to care management, which suggested that 23 complex cases would be manageable by each practitioner. I understand that COSLA's view is that a more realistic figure would be 15 cases—six complex and nine less complex. Responses to our consultation did not suggest that our estimate was an issue. Our figure of 23 was never questioned and, in fact, some local authorities said that our figure may be generous because of the existing infrastructure. Aberdeenshire Council thinks that our costings are well researched, well evidenced and in keeping with what it considers to be appropriate.

COSLA appears to have assumed that inquiries by into whether people were being abused could sometimes lead to long-term investment from practitioners. That will not always be the case. A lot of abuse happens in families, which can be because of the stresses of caring—for example, if one partner in an older couple has dementia, the relationship will be altered. Sometimes, the answer is as simple as acknowledging the stresses, undertaking a community care assessment and putting in place services.

**Derek Brownlee:** I presume that there is potential for the bill to be demand led. COSLA's figure last week was that one in eight of the elderly population is vulnerable to abuse—I forget the precise phrase that was used, but that was the gist of the argument. A very large pool of people could be affected by the bill.

To what extent will the framework that is being put in place by the bill give local workers discretion to prioritise cases? It seems that social workers could have a case load of 15 or a case load of 23, which must be driven partly by resources and partly by prioritisation. How prescriptive is the bill? Does it push you down one specific line, or does it leave it to the discretion of individual practitioners to manage their case loads within their budgets?

**Jean MacLellan:** The first thing that I should say is that the figure of one in eight elderly people being vulnerable to abuse is a prevalence rate, not an incidence rate—no one can say exactly what the incidence is. The bill will not be implemented until 2008 and there are specific pieces of research that will help with finessing the calculations. Important research is being undertaken in the Department of Health to try to track incidence—we are working with one of the researchers to ensure that our bill is, ultimately, based on what is learned from that research.

As for prioritising, I would come at that from a slightly different angle. A principle of the bill is that intervention should occur only for the benefit of the individual. Some interventions will be simple, some will be complex, some will be short term and some will be long term. No one can quantify that at this stage.

**Diane Strachan (Scottish Executive Health Department):** Our incidence figures are based on the Borders figures, because we feel that they are more evidence based than the one-in-eight figure that Jean MacLellan mentioned. We know, for example, that people in the Borders have a greater awareness of the issue and that there is therefore a greater number of referrals there, so we anticipate that that will be the case in other local authority areas once the bill is enacted and awareness of adult protection increases across Scotland. We thought that that was a reasonable place to start, and we have estimated the figure at one referral per 1,000 of the population.

**Derek Brownlee:** Whether we go with your figures or the COSLA figures, additional costs will clearly be associated with the bill. Is it intended that those costs will simply be met from budgets of local authorities, health boards and police forces?

**Jean MacLellan:** Which costs do you have in mind, beyond care management costs?

**Derek Brownlee:** When you talk about a total cost of £14 million for the legislation, do you mean in addition to existing resources or that it would be met within those resources?

**Diane Strachan:** There is an upcoming spending review. The Health Department will be bidding for the £14 million as part of the spending review, so we hope to secure that funding.

**Derek Brownlee:** So the funding might come from additional resources, but that is not yet clear.

Is it broadly true to say that what is happening in the Borders at the moment is pretty much what you hope will happen across Scotland as a result of the bill, or is that too simplistic a view?

**Jean MacLellan:** People are at different points on the learning curve. There are some areas of Scotland that have had their own procedures in place from about 2000. One example is the Lothian and Borders training consortium, which is pretty well advanced. Provision in the Borders is satisfactory, but other areas have yet to reach the point that it has reached. However, most local authorities at least have embryonic adult protection committee structures—although they may not call them that—with information, awareness raising and training at different levels and for different categories of staff.

What may vary at the moment is who exactly takes the lead in investigation. The bill advocates that the local authority should take the lead in deciding who should conduct an investigation. At the moment, an allegation of abuse may be routed to any one of the disciplines or to a national body, which sometimes does not translate into an efficient response. We are making a clear pathway for how inquiries and investigations are to be conducted, and that should lead to greater consistency across the piece. That will be incremental and it will take time.

**Derek Brownlee:** One of the concerns is that if the spending review bid was not successful and no additional funding was forthcoming, that would result in pressure to reallocate resources within all the respective organisations. Let us suppose that there was no new money. What impact would that have on other services?

11:30

**Jean MacLellan:** My understanding is that the current figure for community care work is £1.1

billion and that factored into that is a proportion for unmet need, which I understand is in the region of £100 million.

**Derek Brownlee:** So, the cost could be managed from within the existing resource.

**Jean MacLellan:** In our view, that is possible, but, as Diane Strachan has made clear, our intention is that there should be a spending review bid, and our senior management is committed to that.

**Derek Brownlee:** Has the upheaval in the Borders been covered by existing resource?

**Jean MacLellan:** Yes.

**Derek Brownlee:** So, one set of authorities has demonstrated that costs could be covered within existing resources if necessary.

**Jean MacLellan:** Yes.

**Derek Brownlee:** You said that most of the disparity in costs was to do with case load. That does not explain everything. There are a number of areas in which COSLA seems to be looking at higher costs than those that were indicated in the financial memorandum. In those other areas, is COSLA out on a limb? Perhaps that is not the most delicate way of putting it. Is COSLA simply out of line with most other consultees and organisations?

**Diane Strachan:** COSLA responded to our consultation on our regulatory impact assessment. Its main issue was to do with multiplying adult protection units by 32—that is, one for each local authority—because that did not take into account geographic distribution and the fact that although Scottish Borders Council might have three members of staff, Glasgow City Council might require two adult protection officers, given that it is a much larger authority. We took that on board, which is why we changed the calculation so that we multiplied the Borders figure by 50. At that time, COSLA did not give any indication of significant extra costs. Twelve local authorities responded to us, and COSLA and three authorities raised the adult protection unit figure. However, none of them was concerned about significant additional costs.

**Derek Brownlee:** Multiplying the figure by 50, rather than 32, took you to £7.5 million, did it not?

**Diane Strachan:** Yes, from an original cost of £4.8 million.

**Derek Brownlee:** COSLA seems to have identified an extra £2 million on top of that, without which it reckons that the officers could not have a dual function.

**Diane Strachan:** That was not in our original costings, which we changed as a result of

COSLA's feedback on the regulatory impact assessment. We take on board the fact that there might be variations. For example, Glasgow might need more officers, as might the Highlands and Islands, given the dispersed population.

Jean MacLellan said that we are planning to fund regional development worker posts to assist with training, which I know is another area in which there is a disparity; COSLA thinks that we should have 15 such posts, and we are costing five. We specified four in our consultation document, which we have increased to five on the basis that the rural areas might need a greater resource. The post exists in the Lothian and Borders training consortium area, which covers five local authorities. If we followed the COSLA model, there would be one regional development worker post per two local authorities, which we think is excessive.

**The Convener:** I want to move away from this area of detail to fundamental questions. As I understand the genesis of the bill, it comes out of the particular case in the Borders—such a reason is almost always a bad reason for legislating, but that is the way in which it has been presented to us. Will you say a bit more about why we need the structure that the legislation puts in place, bearing in mind some of the comments that we have had from COSLA and others about what is required?

**Jean MacLellan:** The Borders case is only one factor. The genesis of the bill goes back to the late 1990s, when the Scottish Law Commission published its report on vulnerable adults. There have been changes since then through the Adults with Incapacity (Scotland) Act 2000 and the Mental Health (Care and Treatment) (Scotland) Act 2003, but there is still a gap. For example, someone who has dementia that has not yet been diagnosed might deteriorate and reach the point at which they become an adult with incapacity. There are people with mental health conditions who have been treated but are still vulnerable. There are people who leave care and lead chaotic lifestyles and who might be at risk. At present, there is no statute that allows inquiries in such circumstances when allegations of abuse are made, and there is no common-law power. That is why the bill is necessary.

The genesis of the bill was the fact that the Scottish Law Commission, the inquiry into the Borders case and several deficiency in care reports by the Mental Welfare Commission all said that there is a gap in the law. The bill is intended to complete a suite of legislation so that the entire adult population is covered.

**The Convener:** Can you precisely quantify the group of people to whom the bill will apply, in terms that do not become elastic?

**Jean MacLellan:** No.

**The Convener:** Why not?

**Jean MacLellan:** Because we do not know what the demand will be, given the hidden nature of the problem. When we make it clear that there is the possibility of investigating people's circumstances, that will create additional demand. We cannot quantify what that additional demand will be.

We have built up a number of case illustrations that demonstrate the need for the bill. Every local authority recognises that there is a need. The larger local authorities say that, in an average year, there are 10 to 12 cases that they are unable to deal with because there is no legislative base for intervention.

**The Convener:** That is where I have a problem. You said that the reason for the legislation is that local authorities have identified a number of cases for which there is a lack of legislation. It should be relatively straightforward to quantify that. Presumably, the local authorities already know the people who are involved in those cases and has identified them as people to whom the current legislation does not apply. However, you say that we do not know how widely the legislation will be used. There is an unknown number of other people to whom it will apply.

**Jean MacLellan:** That is right. As you say, there are two elements. There is a known population but there is also an unknown population: people who, due to the new legislation, might disclose situations and who will need the measures that the bill proposes. At present, some people do not come forward. Those who are subject to elder abuse do not disclose.

**The Convener:** That means that you cannot quantify the—

**Jean MacLellan:** That is what I said at the outset. There are imponderables with which we have to grapple.

**The Convener:** The structure that the legislation proposes is quite expensive. The adult protection units will cost £10 million.

**Jean MacLellan:** Yes.

**The Convener:** You have produced a precise quantification of the amount of money that is needed, but you say that you cannot quantify the number of people to whom the bill will apply.

**Jean MacLellan:** Yes. However, we are saying that we think that the proposed structure is sufficient to meet the known demand. We are talking about the set-up cost. Under the bill, there will be an annual report to the Parliament and the numbers of people will be quantified in that report when they become clear.

**The Convener:** The spectre that is always before us is free personal care. There were plenty of warnings about that. I do not think that the Parliament should adopt procedures that cannot be precisely quantified. You have given us precise figures for what you say is the known population—

**Jean MacLellan:** As far as we are able to, yes.

**The Convener:** However, you are unable to give us the figures for the unknown population, which could be the same number of people, or it could be twice as many people. You cannot give us any quantification of that.

**Jean MacLellan:** The bill is essentially about inquiry and investigation. It does not necessarily equate with an escalation of care costs. Part of what we are trying to do is stop abuse; investigation will stop a proportion of abuse. That does not necessarily translate into expensive care packages.

**The Convener:** So the quantification that you gave us is purely for the investigation and identification of people in this category.

**Jean MacLellan:** Yes. The staff involved will undertake those tasks.

**The Convener:** And any future monitoring or care required for those people would be an additional cost.

**Jean MacLellan:** Not necessarily for the known population, although that might be the case for the unknown population, and we cannot know what that cost will be. Research evidence about adult protection from other countries tells us that their policies and procedures are at a more advanced stage, but there is only a small amount of research that defines what works in adult protection.

The main piece of research cited is from the States. It says that the most helpful interventions are counselling and advocacy—talking to the people involved and resolving the difficulties that took them to the point at which abuse took place. That abuse might not have been physical; it might have been emotional and psychological, and in some instances, it will have been neglect and self-neglect.

Much of the bill is about mental health and well-being. Care managers will be able to address those counselling and advocacy needs. That is part of what the quota of 23 complex cases is about—it allows changes to be made through advocacy and counselling to help people in their lives.

**The Convener:** When we spoke to Val de Souza last week—she represented COSLA but was from West Lothian community health and care partnership—she emphasised the importance of training and said that it was the top priority and

more important than the structures to which the costs identified in the bill relate.

**Jean MacLellan:** Val de Souza is a training manager in West Lothian and that is her particular expertise. As I said in my opening comments, a lot of training that is already happening is being absorbed in local authorities—for example, in the Lothian and Borders area, where Val de Souza works.

Most areas of Scotland have training in place. In Lothian and Borders, training is for all staff and consists of three levels. Aberdeenshire mirrors that three-level structure. We are working on getting five days of mandatory training into all social work courses. We know that some universities are interested in developing their own post-qualification award, as already happens for child protection.

Therefore, there are levels of training, and some training is already being addressed, ranging from raising awareness, because not everyone needs to have the skills to inquire and investigate, right through to the heavy investigative end. We have a fair handle on training costs and think that although it is being absorbed in many places, what we propose will make the difference.

**The Convener:** Practitioners tell us that training is the key issue. Given the considerable cost associated with training in caring for the known population and your suggestion that the plight of further individuals might come to people's attention through the operation of the legislation, how would you justify the cost of the adult protection committees? They would be expensive committees to set up. One could argue that all formal hearings at committees in local authorities are expensive when one counts up the cost of the time of the people around the table. In each of the cases covered by the bill, do you require to stipulate within legislation a formal committee hearing?

**Jean MacLellan:** We think that we do. We know from a number of cases that strategic planning has not taken place across the disciplines in an ideal way to serve those who are being abused. The only additional cost would be that of the independent chair. We are simply asking those who have a strategic overview in their remit to come together possibly six times a year to review how well they operate together.

11:45

**The Convener:** Does that require to be put in legislation? You identify good practice that might operate under guidance and could be applied flexibly in each individual case, but your legislative proposals require that scale of hearing for every case that is identified. Is that a reasonable use of

resources compared with other priorities, such as training?

**Jean MacLellan:** We think that it is a legitimate cost, given the number of cases in which such a strategic overview has not been taken, such as the Borders case, a number of deficiency in care reports or some of the issues that the Scottish Law Commission highlighted nearly a decade ago. We need the structure to ensure good practice.

**Diane Strachan:** Child protection committees exist at the moment, but they are not statutory, so our third consultation on the bill specifically asked whether adult protection committees should be made statutory. Seventy per cent of the respondents said that that should be the case to provide consistency in adult protection throughout Scotland.

**Mr Swinney:** That all adds up to quite an indictment of the way in which such services have been planned over the years. Is that a central part of the bill?

**Jean MacLellan:** Yes. We are trying to improve practice.

**Mr Swinney:** I will move on to a couple of other costs that have been highlighted to the committee as being underestimated. The Association of Chief Police Officers in Scotland says that the estimate of the cost of police officers' input into implementing the bill would be not £644,000, as set out in the financial memorandum, but £1.16 million. What are your thoughts on that difference?

**Jean MacLellan:** Dumfries and Galloway constabulary did the original calculations for us. When ACPOS's figures came in, they nudged the cost up. For example, we had costed for additional police officers at £30,000 per officer and ACPOS's figure was, I think, £40,000. That is the difference.

**Diane Strachan:** ACPOS responded to our consultation on the partial regulatory impact assessment but did not raise the additional costs with us at that point. If it had done so, we could have considered them, but it has subsequently sent additional costs to the committee.

**Mr Swinney:** Have you reflected on those?

**Diane Strachan:** As Jean MacLellan said, we based our calculations on Dumfries and Galloway constabulary's costings of £30,000 per annum for particular grades of officers, which ACPOS has calculated as £40,000. We will consider that point with ACPOS.

**Jean MacLellan:** We used those costings because Dumfries and Galloway is a rural area and is working towards putting an adult protection committee structure in place.

**Mr Swinney:** Another major cost issue on which we have not touched so far is general

practitioners' input into the process. Last week, a representative of COSLA, speaking for wider public authorities, suggested that it was important to have GP input, which would involve locum costs. Is that in any way factored into the costings that you have put together so far?

**Jean MacLellan:** So far, we have factored in the key individuals who are involved in inquiry and investigation. GPs are included, but the role that they undertake varies. For example, at the hard end, they would make an assessment, a medical examination and a detailed report, whereas, at the other end of the scale, they may not be involved at all and, somewhere in between, it might be necessary to get an extract from a GP's case notes, so there is a range of possibilities for GP involvement.

We have already taken into consideration the general medical services contract and the quality outcome frameworks that are associated with that, but we are currently exploring whether we need to factor anything else into those equations. However, they already deal with, for example, the detailed assessments that GPs need to carry out for admissions under the Mental Health (Care and Treatment) (Scotland) Act 2003. We are currently exploring those issues in depth.

**Mr Swinney:** It is possible that that input may have been underestimated but, from what has been said, it sounds likely that that will be a demand-led cost rather than an across-the-board per capita cost.

**Jean MacLellan:** That is right. In many instances, the GP might have no role other than to say, "I know this individual and this is what I have done for them to date." In the scenario that I described earlier, in which someone's partner has dementia, the GP may not need to be involved in an examination if that could be unsettling for the couple. The GP's involvement might have no obvious benefit if the person's condition is already known but the abuse was not known.

**Mr Swinney:** My final question is on the issue of additional care managers, which seems to be where the biggest gap arises. It was mentioned that the case load figure of 23 cases per capita was based on particular research. For the record, what was that research and how was it carried out?

**Diane Strachan:** The Executive published the research in 2002 in the "Review of Care Management in Scotland". The research was carried out by Kirsten Stalker. I do not have any more details, but I could find the report for the committee.

**Mr Swinney:** We can find the report from that reference. For information, were COSLA and local authorities involved in that research exercise?

**Jean MacLellan:** I understand that to be the case.

**Diane Strachan:** I think that five local authorities were used as case studies in the research.

**The Convener:** We have no further questions, so I thank both Jean MacLellan and Diane Strachan for coming along to answer our questions today. We actually have a wee bit of time for our consideration of the bill, as it will not be considered by the lead committee until September, but we will publish our report in good time so that the lead committee can use it in its evidence taking.

## Efficient Government (Technical Notes)

11:53

**The Convener:** The next item on our agenda is consideration of the Scottish Executive's updated efficiency technical notes. Our budget adviser, Professor Arthur Midwinter, has produced a paper, which has been circulated to members along with a copy of "Efficiency Technical Notes March 2006".

I will invite Arthur Midwinter to speak briefly to his paper and then invite comments from members. Arthur, welcome back.

**Professor Arthur Midwinter (Adviser):** Thank you, convener. Unfortunately, the updated efficiency notes publication is one of those documents in which the devil is in the detail. I propose simply to summarise what I see as the main problems without giving examples. If members want to go into the details, we can deal with those later.

As we have four new members since we began this exercise, I feel that members need to be fully aware of the points that have been made in the past if they are to be able to criticise the latest document properly. That is why I have produced a background summary of our previous criticisms. Particularly for the new members, I should explain that since the introduction of the efficient government initiative, the savings target for cash-releasing savings has increased. In June 2004, it was originally set at £500 million. In November of that year, the target increased to £745 million but that figure also included Scottish Water, which is outwith the departmental expenditure limit. The figure for cash-releasing savings in the new efficiency technical notes is about £810 million.

The two previous documents had two fundamental problems, which I categorise broadly as relating to the identification, monitoring and measurement of savings and to the tracking and reporting of the growth in outputs in front-line services. In several reports, the committee has asked a series of questions about the savings assumptions, which were based on the original Gershon model in England, the quality of the cost and output data and the absence of baseline data, particularly for 2004-05. The committee has expressed concern about delivery problems when agencies at the grass roots are relied on to deliver savings; the savings exercise in spending review 2004, when savings were reallocated along with the new growth moneys through the Barnett formula; and the measurement of those savings by the Executive. The Executive estimated output growth at 5 per cent per annum on the basis of the

national accounts approach, which is not particularly helpful. We must also be able to measure inputs and outputs for something to be an efficiency saving. Such criticisms were made over two series of notes.

When the committee reported in December on those matters and drew attention to the fact that the figure for the Executive was still significantly below comparative savings levels in Whitehall, its report was heavily criticised in *The Scotsman* for making unfair comparisons with Whitehall and for questioning the hard evidence from Scotland while taking Gordon Brown's information at face value. Those criticisms are hopelessly misplaced. First, it was the First Minister who made the comparison and it is the committee's duty to scrutinise robustly the spin and the substance of Executive action. We would fail in our duty if we did not draw attention to the matter, given that the First Minister made the claim. Secondly, the notion that the efficiency technical notes as they stood in December constituted hard evidence of saving is difficult to take seriously. In fact, the notes have been subject to widespread criticism.

The new efficiency technical notes are much better. I am pleased to say that the text contains several examples that meet the committee's recommendation in its December report that much clearer identification should be given of input and output data and of baselines. Executive officials in the efficient government group have revised their template to require departments to provide that information. In roughly 75 to 80 per cent of cases, I am content with how departments have responded. As we have disagreed with officials in the past, it is important to say well done to them for pursuing the matter. As I said, I am much happier with the document.

We now have something like 57 efficiency technical notes for cash-releasing savings. I will spend the rest of my time on dealing with the remaining information gaps, because that is where problems arise. I will summarise, but my paper and the notes contain much detail.

In about a dozen efficiency technical notes, the statements of outputs are still too vague to be converted into the ratio of input to output that we need for efficiency savings. About a dozen ETNs also exclude all development costs—up-front moneys that are spent to allow a project to happen—usually on the ground that the costs were incurred for reasons other than efficiency. Whether such costs should be included is a matter for debate. I certainly believe that an element of development costs should have been included. Some ETNs included projects that were decided on before the efficient government initiative was launched and I have doubts about whether they should be claimed as efficiency savings under the

exercise. In half a dozen ETNs, development costs are still reported as uncertain or unknown at this time.

12:00

In some cases, I would describe the checks on quality, which we need, as being not fit for purpose. That is because the proposal is often to use the targets that the Executive sets in the Scottish budget or the statutory performance indicators that Audit Scotland creates for local government, both of which are quite useless for this purpose because the performance of the local authorities rises and falls against them year on year—it has nothing to do with efficiency savings. For quality checks, we need specific outputs that relate to the specific projects and not general statements of that nature. There is also a lack of hard data in the documents on the reallocation of savings. That goes back to the original decision to allocate the money by combining the savings with the growth moneys through Barnett. To be fair, the minister acknowledged the criticism. In asking departments to make revisions, he said that, where possible, they should highlight for us where the money has been redistributed. However, very few of them are able to do that.

There are two standard departmental responses in the document: either that the moneys released resources that were then made available according to ministerial priorities; or that they were retained by the department for use on departmental priorities. Neither of those responses tells us how the moneys were used. The information is not quantified, so we have no way of knowing whether the growth in output that we want to see in front-line services is taking place. Unless we get to the specifics, we cannot deal with the matter. In those cases, the checks on quality are not fit for purpose. I have listed the ETNs that I think are problematic at the end of the paper.

I have two overall conclusions on the document. First, I remain doubtful that the actual savings will reach £810 million. I have supplied the committee with a short note on one example of an ETN that I queried directly with the officials who are concerned with the rail franchise. As members will see, the ETN was originally inserted as a cash-releasing saving. The officials now accept that it does not quite fit that definition, as there was no saving on the baseline. That one will be reclassified. The decisions on a number of projects were taken prior to the beginning of the process. There is a problem with development costs and a lack of output data. If there are no specific output measures, it is not possible to claim that something is an efficiency saving—it may be a saving but it is not an efficiency saving. I cannot stress that enough.



Secondly, the growth in outputs will not be recorded at 5 per cent per annum, as we were originally advised. I welcome the Executive's recognition of the need for what it describes as the more equitable approach that it will take next time to the allocation of savings between departments. Clearly, some departments got off very lightly in the exercise and were able to produce proposals for savings that were already part of their development plans. Therefore, despite the improvements that have been made, I continue to hold the overall view that monitoring of savings is not wholly robust and that the monitoring of growth of outputs is minimal.

**The Convener:** Okay. Thank you very much. It is probably worth placing on record the fact that the Executive has responded positively to some of the messages that the committee has been sending it over a fairly long period of time. We welcome the greater definition of the measurements and better monitoring of efficiency savings.

Obviously, a number of areas that Arthur Midwinter identified continue to show a lack of definition or deficiency in terms of outputs or baselines. The document is clear in identifying those deficiencies and we will focus on them. It is worth placing on record the fact that we have been fairly robust in our dealings on the issue. As a committee, we should recognise that the process has been productive; we are getting some tangible information and improvements.

Is the improvement that we are getting in any sense comparable with the information that comes from down south, to use the comparator that we should not use? When we consider efficiency technical notes or their equivalent for United Kingdom departments, do the same issues arise?

**Professor Midwinter:** I have enough difficulty keeping up with the amount of information here. I have not attempted to look at the paperwork south of the border. Given that they have 10 times as much as we have, it would be quite difficult to deal with.

The comparisons were about the ambition of the targets rather than the detail of the savings that were made, although I saw a report in the Chartered Institute of Public Finance and Accountancy's journal, *Public Finance*, that said that the forecasts were that the English totals would exceed the targets. I do not know what the detailed basis for those forecasts is.

**Mr Swinney:** We must be satisfied that the efficiency technical notes stand up to robust scrutiny against the measure that the Executive has set for them. I am quite happy to place on record the fact that there have been improvements in the situation. However, it is also apparent that

there is a long way to go before this process becomes as robust and deeply rooted as the committee would like it to be.

In the case of the rail franchise procurement process, which concerns a sizeable supposed efficiency saving of £24.7 million, the effort that had to be made to prove that there is a weakness in that figure and that it should not be counted as an efficiency saving is an illustration of how much has still to be undertaken. The fact that the impact of the efficiency savings has been felt disproportionately by the Finance and Central Services Department, the Health Department, the Justice Department, the Enterprise, Transport and Lifelong Learning Department, the Crown Office and the Education Department and that, we believe, a host of others have been left largely untouched shows that we are a long way away from having a regular, dependable, reliable and robust process by which we can test the Government's efficiency. We welcome the progress that has been made but there is still a lot to be done.

**Professor Midwinter:** I think that you have given a fair summary of where we are at. Because of how this was handled in 2004, we may not resolve the situation in this round. The original decision to put all of the money in one pot and not require people to say what they were doing with it means that we are unlikely to get the kind of information that we would want to be able to say confidently that the increase in outputs is 4 per cent, 5 per cent or whatever. Likewise, the more equitable approach between departments will have to wait until the next spending review exercise.

**Mr Swinney:** However hard the committee has tried to get to the bottom of the validity and robustness of the efficiency technical notes, our task has been made impossible by the way in which we started on this journey some years ago.

**Mark Ballard:** Professor Midwinter, I had a look at the information regarding the schools building programme, on page 46 of your document, which is one of the examples that you drew attention to. You say that the saving is a time-releasing saving, not a cash-releasing saving, and you use it as an example of the kind of problems that arise.

I am interested in what could be done to resolve the issues around situations such as that. In point 8, you say:

"The school building programme is not being pursued on efficiency grounds alone and therefore it would not be appropriate to net off any development costs".

Would you propose that a proportion of development costs be considered?

In point 12, you say:

"There are no formal mechanisms for monitoring the delivery of these efficiency arrangements".

Some kind of mechanism is needed to measure the efficiency savings, but if mechanisms do not exist at the moment, is it cost-effective to put them in place, given that they might cost more than any time savings that are achieved?

**Professor Midwinter:** I have a fairly straightforward view, which is that savings of that kind are being quantified for no other reason than to report them. Government has always made savings like that; it is part of an on-going process and happens every time the Government invests money, does something in a new way or redesigns something. In the past, no one ever had to report such savings. A project of that nature should not be included in an efficient government exercise. Making savings should be the criterion that drives a savings exercise. When departments have on-going work, they are able to return the figures as an efficiency saving, but my view is quite simple: they should not be in there as efficiency savings.

That goes back to how the system was developed in the first place. Efficiency saving exercises should concentrate on savings that are generated as a result of the exercise being created rather than allow departments to include projects the spending proposals for which were approved before the efficiency exercise started.

I do not know if that helps. I am quite happy to acknowledge that such projects have efficiency gains, if we want to describe them in that way, but for me they are not part of the savings drive. They would have happened anyway and five years ago they would not have been reported as an efficiency saving. Even worse, we have people trying to cost those savings. Economists get into trouble when they start trying to quantify something that is not cash-based.

**Mark Ballard:** You mention the schools building programme in your report but you do not list it as one of the problematic projects in the appendices.

**Professor Midwinter:** I used that example because of the statement that the projects are not being pursued on efficiency grounds. That causes confusion between projects. Some departments have had to find efficiency savings in their budgets and report to the Executive on what they are doing. Others have been able to say what they were doing anyway and, as a result, have made an efficiency gain that can be quantified—although the gain is in time—and can report that the department has made a saving. I do not think that that should be part of the exercise.

**Mark Ballard:** Have you analysed what proportion of the efficiency technical notes reflect genuine efficiencies, where a department has had to look at its budget and make a saving, and the

proportion of savings that are spurious, because the departments would have made them anyway?

**Professor Midwinter:** I have listed a dozen or so projects about which I have doubts because they fit into the category that you describe. In the main, it is my job to advise the Finance Committee on the budget. I have considered only the cash-releasing savings because, as I said earlier, I have severe doubts about the merit of doing the time-releasing exercise in the first place. There are question marks over whether about 12 of the 57 ETNs ought to have been included in the first place because they were driven by policy development rather than efficiency savings.

**Mr Arbuckle:** Like others, I think that the document is slightly more transparent than the previous editions were, but there is still a long way to go.

Convener, do you mean to follow up on the dozen or so issues on which we need more specific and transparent advice? Will we be writing to the minister to ask specifically for that?

Also, there are queries in appendix 2 over development costs.

**The Convener:** If there are very specific questions, we can raise them in writing at official level with the department. We will take evidence from the minister once the ETNs are published and will have the opportunity to quiz him on any issues then. You may remember that we are in correspondence on project A/C3, on human resources transformation. That correspondence has been circulated to members.

12:15

**Mr Arbuckle:** So should we just leave the matter for now? I am trying to decide on the best approach. Should we wait until we meet the minister and have further information, or should we try to get more information now?

**The Convener:** If we need to follow up specific issues, we can do that with officials, but general policy issues are probably best left until we speak to the minister.

**Professor Midwinter:** There are philosophical disagreements about whether development costs should be included. I have challenged the Executive's line on that and the committee has queried it in the past. It is for the committee to raise that with the minister. We will have no difficulty in getting information from the officials about details that members want to raise. However, whether the development costs should be included involves a political judgment that the minister must defend.

**Mr Arbuckle:** What about the items in appendix 1, on which we seek more specific information?

**Professor Midwinter:** I guess that such detailed comments will eventually find their way into the December budget report—that is what has happened in the past. The Executive will respond to the recommendations at that time, as it has done with the previous couple of reports, and say whether it will do something. We have a list of issues on which we think we need better output data. I presume that the Executive will respond once the list is converted into a set of formal recommendations in the budget report in December.

**Jim Mather:** The paper is terrific and summarises the issues tightly. It contains much that I found valuable. The conclusion that I have drawn is that if, rather than being Arthur Midwinter, you were KPMG auditing a major company, the exercise would have been the equivalent of qualifying the accounts, because it has so many caveats built into it.

**Mr Swinney:** The fee would be more expensive.

**Professor Midwinter:** I will accept KPMG rates.

**Jim Mather:** I am keen to focus on inputs and outputs. I worry about outputs a lot. If we were examining the Ford corporation, outputs would be having more employees, dealerships and adverts and producing more vehicles. However, in essence, that is not what the shareholders or analysts are interested in; they are interested in outcomes, which are basically how profitable the business is, the strength of the balance sheet, the cash position and the value of the shares. I have to believe that, somewhere in the programme, there are outcome values that we can get our heads round and hold Government to account on, especially for cases in which we can identify the baselines and move forward from there. I suspect that, in most of the local authority areas with which members' constituencies are coterminous, frontline services such as free care and school buses are shrinking dramatically. We received evidence from Colin Mair, the chief executive of the Improvement Service, but he failed dramatically any real-world tests. Given that you have identified the programme as a wheel with bearings that are giving considerable wobble, my key question is whether that is a sufficiently robust platform on which to build public sector reform?

**Professor Midwinter:** That is a much larger question than is covered in the paper. We are considering the management of public finances and best value, which are presented to us in the "Framework for Economic Development in Scotland" as the mechanisms through which the Executive will improve the productivity of the public sector and so contribute to economic growth. However, it is clear that there is a mismatch between the way in which the Executive measures economic growth and the way in which it does these exercises.

I do not know whether you picked up on this, but under the current approach for measuring economic growth, the Executive makes no distinction between back-office services and front-line services. Thinking simply about the efficiency exercise, I am not worried—we are getting towards having a model that we can use to measure efficiency savings. However, I have real doubts about whether that will throw any light on the bigger question of how the savings contribute to economic growth. It is certainly feasible to build on where we are now simply as an exercise in measuring the change in outputs. However, I do not think that we will ever be able to make the link between the exercise and the economic growth targets.

**Jim Mather:** I agree. I reiterate that, when taxpayers and the general public look at the engine of government, they are not going to see from the exercise £810 million of incremental outcomes that will impact on their lives.

**Professor Midwinter:** From the beginning, the Executive made it clear that the exercise was about inputs and outputs; it did not present it in outcome terms. The outcomes are a bigger question the answer to which we will pull together when we examine the success of the mechanisms as a whole at driving the outcomes that we want. We will look at the efficiency technical notes, the best-value regime, the baseline review when it comes out and the pre-expenditure assessment and consider whether the whole package helps to—

**Jim Mather:** I agree with everything that you say, but the fundamental point is that the efficiency technical notes document is grotesquely complex. At the weekend, I was invited to comment on a new advocacy of lean management techniques. The efficiency technical notes are a million miles away from that.

When I look at what is happening around the planet, I see that even cities such as Fort Wayne in Indiana in the States are buying into genuinely implementing savings that people understand and which they can see being made on an incremental basis. Instead of a three-year outlook, they have a perpetual outlook on where they are going and there is perpetual improvement, year in, year out. The comparison with the efficiency technical notes is just night and day.

I have had my say.

**The Convener:** I presume that there will be a further version of the efficiency technical notes in due course.

**Professor Midwinter:** There will be two things. In the next month or so, we should receive the annual report. I assume that, after that, the efficiency technical notes will be revised again. It

is about eight or nine months since they were revised. They were supposed to be out in March but they were slightly late in coming out. I hope that we will get the final set before the end of the parliamentary session, if the Executive is on schedule.

**The Convener:** Also, a report by Audit Scotland is due to come out at some point.

**Professor Midwinter:** I think that it is due out in the autumn. Audit Scotland will consider the efficiency technical notes over the summer and respond to them. Audit Scotland is required to give assurances that the savings have been delivered.

**The Convener:** In addition to reflecting on the detail of the issue, I suggest that we start to think about how a better system of management of efficiency savings could be constructed in the context of the next spending review. It seems to me that there are lessons to be learned from the processes that the Executive and the committee have been through. We should think about the process of specifying the system of efficiency management and consider how we can do that better, because we know that it will have to be repeated in the context of the next spending review, irrespective of the content that is chosen. It would be useful for us to undertake that exercise.

**Professor Midwinter:** That would be a constructive contribution.

**The Convener:** Are members agreeable to that exercise being explored?

*Members indicated agreement.*

**Jim Mather:** I suggest that there are lots of practitioners out there whom we might pull in to give evidence, even just to a subset of us.

**The Convener:** It might be as well to get Arthur Midwinter to do some preliminary work on the issue, and then we could—

**Professor Midwinter:** I certainly found it helpful when we had the practitioners in when we were talking about how to refine the budget. I think that the idea is worth while. If you let me do some exploration and come up with some ideas, that would be good.

**The Convener:** As members are content with that, I thank Arthur for his paper, which is very useful.

## Scottish Affairs Select Committee Inquiry (Submission of Evidence)

12:25

**The Convener:** The fourth item on our agenda, which will hopefully be quite short, is to decide whether to submit evidence to the Scottish Affairs Select Committee's inquiry into poverty in Scotland. The clerk has prepared a potential submission that gives a summary of our inquiry into deprivation spending. Do members agree that the submission should be sent to the Scottish Affairs Select Committee?

*Members indicated agreement.*

**The Convener:** We agreed to take our final item, which is the review of the Scottish Executive's management of public finances, in private.

12:26

*Meeting continued in private until 12:40.*

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