

FINANCE COMMITTEE

Tuesday 12 December 2006

Session 2

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FINANCE COMMITTEE

32nd Meeting 2006, Session 2

CONVENER

*Ms Wendy Alexander (Paisley North) (Lab)

DEPUTY CONVENER

*Mr John Swinney (North Tayside) (SNP)

COMMITTEE MEMBERS

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

*Mark Ballard (Lothians) (Green)

*Derek Brownlee (South of Scotland) (Con)

*Gordon Jackson (Glasgow Govan) (Lab)

*Jim Mather (Highlands and Islands) (SNP)

*Mr Frank McAveety (Glasgow Shettleston) (Lab)

*Dr Elaine Murray (Dumfries) (Lab)

COMMITTEE SUBSTITUTES

Shiona Baird (North East Scotland) (Green)

Mr Alasdair Morrison (Western Isles) (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:

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

Rob Wishart (Scottish Executive Office of the Permanent Secretary)

CLERK TO THE COMMITTEE

Susan Duffy

SENIOR ASSISTANT CLERK

Rosalind Wheeler

ASSISTANT CLERK

Kristin Mitchell

LOCATION

Committee Room 1

Scottish Parliament

Finance Committee

Tuesday 12 December 2006

[THE CONVENER *opened the meeting at 10:11*]

Statistics and Registration Services Bill

The Convener (Ms Wendy Alexander):

Apologies for the slight delay in opening the meeting. I welcome the press and the public and ask that all pagers, mobiles and BlackBerrys be switched off. We have received no apologies from members of the committee.

Item 1 is the Statistics and Registration Services Bill. The plan is to take evidence on the legislative consent memorandum for the bill. Last week, we agreed that today we would take evidence from the Deputy Minister for Finance and Public Service Reform, George Lyon, and that we would seek written evidence from various individuals and organisations. I welcome George Lyon, who is accompanied by Rob Wishart, who is the chief statistician at the Scottish Executive, and Marina Hughes, who is an assistant statistician in the office of the chief statistician. I begin by inviting the deputy minister to make a short opening statement.

The Deputy Minister for Finance, Public Service Reform and Parliamentary Business (George Lyon): I begin by congratulating Wendy Alexander on her promotion to the post of convener. I look forward to working with her over the coming months.

Ministers have a strong commitment to the integrity of official statistics. We recognise that reliable, relevant and objective statistics are vital in terms of both the evidence that informs Government policy and the statistical data that are made available to the public and to the Parliament. We regard independent scrutiny and the professional independence of statisticians from ministers as being key to ensuring that Scottish statistics are—and are seen to be—of the highest quality and integrity.

In Scotland, the statistical service has improved vastly since devolution as regards the quality, timeliness and relevance of the statistics that are used for policy making and to fulfil the public information role. However, there is more to be done, so we are exploring a number of actions to improve the statistical service in Scotland. We must work on public confidence in the statistics that are produced and the need to build public

trust is one of the main drivers behind the United Kingdom Government's decision to put the arrangements for the scrutiny of Government statistics and the standards that they must meet into statute through the bill that we are discussing.

The bill is an opportunity to make changes that require legislation and which are best made consistently throughout the UK. Let me explain why we believe that a UK approach is right. First, Scotland's inclusion in the bill means that we can continue to have a common set of standards for statistics. International standards for statistics must be followed anyway and adopting the UK arrangements is the most efficient way of adhering to those standards. Secondly, the bill means that we will have access to a UK-wide independent scrutiny body, which will have a wider range of top-level expertise than would a separate Scottish body. Thirdly, it will help to ensure that we can make the most efficient use of statistical data that are held in Government departments by facilitating fully joined-up and reciprocal information sharing.

For similar reasons, the devolved Administrations in Wales and Northern Ireland also plan to apply the relevant parts of the bill. Given that the remit of the new statistics board will extend to the whole of the UK, it is expected to contribute positively to the delivery of coherent and comparable statistics throughout the UK. Extending the scrutiny and standards aspect of the bill to Scotland will allow us to continue with our current arrangements for the production of Government statistics by Executive departments and agencies. That is extremely important, as many of the improvements in statistics that have occurred since devolution have been the result of increasingly close working between statisticians and other analysts and policy officials.

A transfer of statistics production in Scotland to an independent body would be inefficient and costly and would require duplication of expertise, administration and management functions. In any case, it is not certain that the greater organisational independence that might be achieved would increase trust in statistics.

10:15

In summary, giving the new statistics board a role in setting and monitoring the standards of Scottish statistics will demonstrate that, although they are produced by Government departments and other bodies that are responsible to Scottish ministers, they are produced to the highest standards, are free from ministerial control and are subject to independent scrutiny. That should go some way towards improving both the use of, and public confidence in, Scottish statistics.

I hand over to the chief statistician to explain how the new system will work.

Rob Wishart (Scottish Executive Office of the Permanent Secretary): I will run through how it is envisaged that the bill, as proposed in the legislative consent motion, will work in Scotland.

The first point is about scrutiny and standards. The bill will establish a new statistics board as a non-ministerial UK Government department, which will be responsible for promoting and safeguarding the quality and comprehensiveness of official statistics. The board will also be responsible for overseeing the scrutiny of all official statistics, as part of which it will set statistical standards through the code of practice. The board's scrutiny functions will be somewhat similar to those that are currently exercised by the independent Statistics Commission, which will cease to exist once the bill is passed. It is proposed that we buy into the bill's scrutiny and standards elements.

The bill's provisions will apply to all official statistics that are produced by the Scottish Executive, the General Register Office for Scotland and the information and statistics division of the national health service. Most of the statistical outputs of the Scottish Administration are classed as national statistics and are produced according to the national statistics code of practice, which was adopted by Scotland, along with other parts of the UK, in 2000.

The board will be responsible for drawing up the new code and, in doing so, is expected to make use of the current code and to consider more recent international standards. It will be statutorily required to consult Scottish ministers on its preparation for the revision of the code. Like UK ministers, Scottish ministers will still decide on the scope or range of statistics that are produced and published for Scotland and on which of those statistics should be classed as national statistics, although the board will be able to advise and comment on that.

On the independence of statistical production, the new statistics board will be responsible for overseeing the statistical production that the Office for National Statistics currently undertakes, which accounts for only about 20 per cent of the UK's national statistics. The statistics that the ONS produces are mainly compendia and, more important, the key national economic statistics. We are highly dependent on the ONS for our economic and labour market statistics and we will have to work with the new board to ensure that strong and effective relationships continue. Such detail is probably more relevant to the statistics concordat, which is the informal arrangement, than to the bill as such.

On local flexibility, ministers were keen to examine the detail of the bill and the concordat to ensure that the needs of Scottish statistics would be met. As a result, a number of provisions have

been included in the bill. For example, one statistics board member will be appointed after consultation with Scottish ministers; similar consultation must take place in Wales and Northern Ireland. Scottish ministers must be consulted on the preparation and revision of the UK national statistics code and will decide on the pre-release access rules that should apply to Scottish devolved statistics. In addition, the board must lay an annual report before the Scottish Parliament. All the provisions that have been sought are listed in the legislative consent memorandum. That is all that I want to say just now.

The Convener: Thank you. We move straight to questions. I will kick off by probing something that has been touched on, in order to get it on the record. Given the developments in the rest of the United Kingdom, what would be the problem with remaining with the status quo?

George Lyon: It would be seen as unusual if we did not move in response to the changes that have been made down south. The new body that is being set up will not only take on board the ONS work but, more important, oversee quality. Quality is key in all of this—it is not so much about how it is done as about ensuring that we get quality statistics throughout the UK. The announcements and the bill down south meant that we were faced with deciding what we wanted to do in Scotland. After significant debate on the matter—indeed, Jim Mather led a debate on the issues concerned in the Parliament—we came to the view that it was in the best interests of Scotland to join the new statistics board. However, we secured significant concessions to reflect the Scottish situation, namely the powers that ministers will have in various areas and an important commitment that the new organisation will report to this Parliament as well as to the UK Parliament. I suspect that the committee may have a role to play in probing the veracity and quality of the statistics that are produced for Scotland.

Rob Wishart: We are currently part of the national statistics arrangements, which will in effect be replaced by the new arrangements. As the minister has said, in some respects there is no option but to review what we have got. In a sense, the status quo disappears because of the changes that the UK Parliament has set up.

The Convener: It occurs to me that at the next formal meeting of the committee we will be probing the veracity of national statistics and the authorised code of practice.

Mr Frank McAveety (Glasgow Shettleston) (Lab): How can we ensure that the bill will improve public trust in Government statistics, given that there is a fair degree of scepticism among the public?

George Lyon: The independence of the new model, the way in which it is constructed, the fact that it is accountable to both Parliaments and that this Parliament will be able to probe the production of statistics and consider their veracity should help in the longer term to improve trust and confidence in statistics. Politicians in both Parliaments will be able to challenge and probe how those statistics have been arrived at. I would hope that the degree of independence that is offered by the new statistics board and the accountability to Parliament will go some way to reassuring people about the quality of the statistics that are being produced.

Mr McAveety: Is that the statisticians' perspective?

Rob Wishart: Yes. Although independent scrutiny already exists, the Statistics Commission has not done an awful lot in Scotland. We would hope that the new board will be more active. The line of reporting to the Scottish Parliament will be an important element of that. There has been a fair bit of discussion about whether the complete trust of the public can ever be achieved—perhaps it cannot. Independent and parliamentary scrutiny should provide an assurance to Parliament and the public that issues can be examined.

Jim Mather (Highlands and Islands) (SNP): Minister, will you give me examples of how the arrangements provided for by the bill will improve the quality, relevance and timeliness of Scottish statistics?

George Lyon: It is important that the new body verifies and scrutinises statistics to ensure that statistics in Scotland are produced to international standards—that is the quality mark that has to be met to ensure people's confidence and trust. That will be a key role of the new body. The accountability lines back to the Scottish Parliament as well as to the UK Parliament are also a powerful tool in ensuring that we rebuild trust in statistics. Through an agreement with the Chancellor of the Exchequer, ministers have powers to determine which statistics will be national ones. If we have genuine concerns about the statistics that are being produced, we can do something about that through the powers in the bill. That is a substantial step forward.

Jim Mather: As we look forward to this new era, do any statistics come to mind that you believe will have an impact on future policy or adjustments to spending plans? Which statistics will you and your colleagues in the Government use to monitor the effectiveness of governance in Scotland and future policy and spending plan changes?

George Lyon: One of the key arguments for retaining the production of statistics within the departments is that the production of statistics and

the interaction between statisticians and economists who work in the departments—both in the Scottish Executive and, I guess, at UK level—are fundamental in the development of policy. The production of statistics determines how we develop policy over the longer term. Of course, policy then inevitably shapes the type of policies that we implement. As we all know, statistics are the currency of debate in Parliament about how well policies are proceeding or otherwise. Despite everyone arguing that they do not trust statistics, by and large the national statistics are quoted back time and again in any debate about how policies should be altered.

Jim Mather: I was asking which of the plethora of statistics that are being produced you are using as the north star to guide Government. Which are the key statistics that influence future policy and spending plans?

George Lyon: For every department, we consider the statistics that are relevant to that department. Whether it is waiting times in health or economic factors in terms of economic plans, we use the statistics that are relevant to shape the policy.

Jim Mather: Do you agree that the issue of pre-release access affects trust? If pre-release is to go ahead, with the exception perhaps of market-sensitive information, should it be available to more than just ministers? Should the timescale be reduced from five days to a few hours, as the Treasury Select Committee has suggested?

George Lyon: We are still to come to a firm view on that matter. Clearly, there is flexibility within the provision on pre-release access, which will allow us to determine what is appropriate for Scotland. We will come to a view on that in due course.

Jim Mather: Do you agree that if there was more even-handedness, trust would improve?

George Lyon: I would agree that access to the information before release is important to ensure that there is a proper response from Government to the statistics that are published. I agree that that is an important issue.

Jim Mather: And from Opposition spokespeople?

George Lyon: As I say, I believe that it is important that ministers have access to that information before it is published because they are expected to respond on the day. We will come forward with our proposals in due course.

Mr John Swinney (North Tayside) (SNP): One of the committee's concerns about the way in which statistics are used is that, when statistical evidence is gathered that demonstrates that the Government has failed to achieve a target for the

delivery of a particular service—as happened with several targets under the 2002 spending review—the Government sometimes simply changes the target. How does the minister feel about the Government's use of that technique to avoid facing up to the dispassionate statistical truth that it has failed to achieve a target? Is it legitimate to dump a target and just replace it with another one?

10:30

George Lyon: As Mr Swinney will know, the programme for government includes a huge range of commitments and targets that have been set as a result of the partnership agreement between the Liberal Democrats and the Labour Party. I am pleased that, across the vast range of those commitments, the monitoring that is undertaken through the use of statistics and other methods shows that we are meeting virtually every target. I take the point that there have been concerns about one or two targets that have been missed. However, the key issue is that, using good statistics, we have been able to measure and monitor how well we have done across all the partnership agreement commitments and some 96 per cent or 97 per cent of those targets have been met or will be met by the time that we reach the end of the four-year period.

Mr Swinney: My point is that, in a number of cases when statistical evidence has demonstrated that the Government has failed to meet a particular target, the Government's reaction has been simply to change the target. What is the point of ensuring that people have greater confidence in the statistics if, when those statistics prove the unpalatable truth that the Government has failed to deliver on a particular commitment, the Government simply changes the target? What link should exist between statistical performance and the performance of Government, given that the Government must be accountable when it fails to deliver on particular targets? Will the minister comment, as the committee has done, on the legitimacy of just dumping a target that the Government fails to achieve? Is that the right thing for the Government to do?

George Lyon: That goes back to Mr Mather's question on whether there are areas of policy in which we would change direction if the information showed that the policy was not delivering the desired outcomes. It is valid to say that the Government is entitled to change policy when it believes that it is unable to meet the target that it set. That is a valid role for Government to play. Indeed, we would be criticised if we did not do that. However, in the vast range of targets that we have set in areas such as health, crime and education, we are meeting and, in many cases,

going beyond the targets that we set. Across the piece, the Government has set some arguably tough targets for health, crime and education and is meeting or surpassing those targets.

Dr Elaine Murray (Dumfries) (Lab): In the section on information sharing, the legislative consent memorandum states:

"The Bill provides for orders permitting disclosure of information to or from the Board, which would otherwise be prohibited ... The Bill provides specifically for the provision of information by and to Scottish public authorities".

What legal barrier prevents the sharing of such information at present?

Rob Wishart: The problems vary. In practice, the sharing of data involving personal-level information can be extremely difficult because the gateways for such information sharing are unclear. It is appropriate that there should be gateways that are properly understood under the legislation. We have found that it can also be difficult to share even aggregated information. As a statistical service we are not particularly interested in individual-level information, but information from departments such as HM Revenue and Customs or the Department for Work and Pensions can be very valuable in understanding Government policy and programmes. Sometimes it can be difficult to ensure that we have a means of getting that information shared in an appropriate way. There is no suggestion that information should not be shared in an appropriate way.

Dr Murray: It strikes me that individual members often receive written answers advising that information is not held centrally. Committees of the Parliament have also had problems in scrutinising budgets especially when the operation of the policy is carried out by another public authority such as a council or health board. As a consequence of the bill, will it be easier for committees of the Parliament to monitor spend and outcomes and outputs in a way that they have not been able to do so far? Will the bill mean that information and monitoring will be easier for parliamentary committees?

Rob Wishart: We are not certain about the impact of the bill on detailed Scottish information, which is shared reasonably well at present. We are particularly interested in the impact of the bill on the information that we receive from UK Government departments. Such information may also assist members and committees in that, for issues such as the impact of poverty, information from UK departments is important.

However, I think that the question alludes to a more general issue about the availability of information. Given that the new board and, in turn, Parliament will scrutinise plans for future statistical development, if Parliament is of the view that there

are significant gaps in the information that is available, those sorts of issues could be addressed. That does not mean that all such problems will be solved, but there will perhaps be greater independent and parliamentary input on what information needs to be developed.

Dr Murray: So the Executive might be able to get more information from councils on issues that are of interest to the Parliament.

Rob Wishart: We do that substantially at present. What I am trying to say is that, if Parliament comes to a view that there are significant gaps, it will have more of a locus to express those views.

Mr Andrew Arbuckle (Mid Scotland and Fife) (LD): One snag of being the best small country in the world is that, in any collection of UK statistics, the sample from north of the border is quite small. Will the bill provide sufficient leeway to increase the sampling base in Scotland so that we can have more reliable data?

George Lyon: Clearly, if concerns about the quality of data lead us to believe that wider sampling is required, the provisions in the bill will give us the ability to ask for that to happen. Indeed, the Parliament will be able to raise such concerns when the board reports to the Parliament. However, many of the national statistics are collected by Scottish Executive departments, so we should have good coverage in the information that is gathered. Although it might be more difficult to get breakdowns of information that is collected by organisations such as the DWP, Scottish Executive departments collect a large amount of statistics. In future, those statistics will be validated to international standards by the new statistics board.

Derek Brownlee (South of Scotland) (Con): I understand that the consultation document that was issued yesterday is split into two parts, with a deadline of early January for responses on the more immediate issues and a deadline of March for responses on the more general issues. Will you elaborate on why you have gone down the route of saying that a legislative consent motion is the best way forward? It strikes me that the process is a wee bit back to front. Would it not have been more sensible to carry out a consultation on a range of options before taking the decision on whether to pursue a legislative consent motion?

George Lyon: There has been quite a lot of discussion on that matter. The driving force for the consultation was the decision on whether we wanted to go down the UK route. Having decided to do that, we now have the opportunity to consult properly on the detail of how that should be implemented. However, we are driven by the Westminster timetable. For that reason, once the

decision was taken, it was important that we discussed the LCM with the committee in line with the Westminster timetable to ensure that we can hook into the legislative slot that has been allocated down there.

Derek Brownlee: As you said, we had a debate in Parliament on statistics. I forget exactly when it was, but it was certainly some time before the Queen's speech. I presume that the Executive has been in contact with the Government to discuss the general issue of statistics. Was there some sort of interaction before the Queen's speech?

George Lyon: Yes. It has been an important issue and there has been a lot of discussion about the right approach, as was reflected in the debate that we had in Parliament. It was only right that time was taken to ensure that we examined all the possible options and engaged with Westminster to ensure that the flexibilities that we wanted if we decided to hook into the UK bill would be provided. That took some time, so it proved difficult to go out to consultation, given the Westminster timetable. However, we are now consulting on some of the more detailed implementation measures, which will be important in terms of the amount of pre-release input that ministers and the Parliament will have, as well as in terms of how the accountability procedures might work. Although I am disappointed that we were unable to go out to consultation before, it was right for us to take the time to ensure that we got the right decision and explored all the options properly.

Derek Brownlee: It was not a surprise, presumably, that there was going to be a statistics bill in the Queen's speech, or that the Queen's speech was going to be in November. We are now in a situation where, for some of the fundamental measures in the bill, the consultation period will be less than a month, which includes the Christmas period. I am sure that everyone agrees that that—to put it mildly—is less than ideal. Surely it must have been possible to conduct some sort of formal consultation, either at the time of the Queen's speech, when it was clear that a bill was going to be introduced, or prior to that, when it must have been clear, after discussions with the Government at Westminster, that something was likely to happen in the near future.

George Lyon: It was, but there was quite a lot of discussion as to what the flexibilities would be and how the new statistics board would work, and we wanted assurances on those before coming to a final decision. Although I regret the short consultation period, I believe that it was important for us to flush out some of the Scottish ministers' concerns before final decisions were taken. As you will recall from the debate that we had in Parliament, there was a range of options for the road that we wanted to go down. There was

lengthy interaction with Westminster, as well as internal discussion, before a final decision was reached. I regret the fact that the consultation is quite short, but I am sure that those who are interested in the subject will manage to respond and put across their point of view, and we will take those views into consideration.

Derek Brownlee: Was the part of the consultation that is running to the standard timescale, until March, not consulted upon until it was clear what the shorter part of the consultation was going to be? It strikes me that the former is more general and could probably have been consulted on independently.

George Lyon: It was important to come to a decision about the direction that we were going in before the rest of it could unfold. As I said, there was a lot of discussion, internally and with Westminster, before final decisions were taken as to which route we would go down.

Mr Swinney: The bill provides for the appointment by the Treasury of one person to the statistics board after consultation with the Scottish ministers. Can you tell the committee who that person is likely to be?

George Lyon: No decisions have been taken on that.

Mr Swinney: Is it likely to be an official such as the chief statistician or is it likely to be some other figure?

George Lyon: I have not been involved in any decisions to date as to whom that individual might be. As soon as we have come to a view, we will be keen to let the Finance Committee know.

Mr Swinney: What will be the characteristics of the individual whom you will be looking to fulfil that role? Will it be somebody who has a role within Government or somebody outside Government? Can you furnish us with more information in that respect?

George Lyon: As I said, there has been no discussion as to whom the individual might be. Clearly, they will need a close knowledge of how statistics work in Scotland, and it is also important that they are seen to be independent.

Mr Swinney: The bill refers to

"one person who is appointed by the Treasury after consulting the Scottish Ministers".

What will be the process for doing that?

George Lyon: There will be discussions with ministers here in Scotland, and we will come to a view and put forward the person whom we would like to see put on the board to represent Scotland. That is the way that these things work, and I am sure that the Chancellor of the Exchequer will be keen to accept our nomination.

10:45

Mark Ballard (Lothians) (Green): The proposed statistics board will take on the responsibility of the Office for National Statistics, which is a Treasury department, and of the Statistics Commission, which is a non-statutory external commentator on statistics. Can you explain how, in that context, the status of the statistics board as a non-ministerial department that is still part of the Executive will guarantee its independence when it comes to statistical matters?

George Lyon: It is being set up as a non-ministerial body, so it will be free from ministerial interference. Its accountability will be to the UK Parliament and to the Scottish Parliament, but the responsibility for overseeing the independence of the organisation and the quality of the statistics that are produced will rest with the statistics board itself, which will be independent of Government and of ministerial interference. It is right that it should be a standalone body.

Mark Ballard: Are there any concerns that, although the Statistics Commission is an external body, the statistics board will be a much more internal body, and therefore we could lose an external scrutineer of statistics by replacing it with an internal one?

Rob Wishart: The Statistics Commission is an independent body but, nevertheless, it is appointed by ministers and its budget is within the Treasury budget. The expectation is that the new board will not only enjoy the same degree of independence but will be a more substantial body than the Statistics Commission. There will be members on the board who have greater weight, so the board will be a more substantial body in that sense.

Mark Ballard: A press release from the Statistics Commission states:

"we want to be sure that the proposed Board will, in practice, have the necessary authority and the political and financial independence to effectively undertake its duties".

As we have discussed during our inquiry into accountability, financial independence is an important factor. I am interested in the fact that the LCM states that there are no financial implications for Scotland in establishing the new statistics board. What steps has the Executive taken to ensure that there is adequate funding from the Scottish Executive to enable the statistics board to carry out its functions effectively, as they relate to devolved affairs in Scotland?

George Lyon: The board will be funded by the UK Government, so there is no call on the Scottish Executive's finances to meet the cost of it. I understand your concern about long-term commitments to finances, and I understand from

discussions with colleagues down south that there will be a commitment to ensuring that on-going budgets will be sufficient to enable the statistics board to do its job properly. There will be guarantees about the longer-term funding, which is important, because we all know that politicians like to intrude on matters when they have concerns about the amount of money that independent bodies are spending. It is often thought that some controls should be put in place, so it is important for the independence of the organisation that there is some guarantee about on-going funding levels, because that could clearly affect performance.

Mark Ballard: Your guarantee on funding levels is welcome and, indeed, important, as far as independence is concerned. However, my question was specifically about guaranteeing funding levels for operations that relate to the Scottish Executive, not to the Scotland Office.

George Lyon: We would engage to ensure and be confident that the statistics board was being allocated sufficient money. However, as I have already said, Scottish departments themselves tend to produce a substantial amount of statistics, which will be validated by the statistics board.

Mark Ballard: My understanding is that statistics that are produced by Scottish Executive departments fall within the realm of the Scottish information commissioner and the Scottish public services ombudsman. However, under clauses 37 and 60 of the bill, the statistics board will be under the jurisdiction of the UK information commissioner and the UK parliamentary commissioner. There appears to be no mention of the Scottish information commissioner and the public services ombudsman. Has the Executive consulted on whether the statistics board should fall within their jurisdiction?

George Lyon: I would have expected Scottish statistics to fall within the realm of the Scottish information commissioner and the public services ombudsman. However, if, as you suggest, that is the implication in the bill, and if the concern is raised in the consultation, we will examine it closely.

Rob Wishart: We have discussed the exact wording of those clauses, but we will need to come back to you on the specifics. The minister is right to suggest that the intention was certainly not to affect the Scottish information commissioner's jurisdiction over Scottish Administration statistics. However, if that is not the case, we will have to reconsider the matter.

Mark Ballard: Our concern was more about the fact that although the bill specifically mentions the UK commissioners, no mention is made of the precise remit of the Scottish information

commissioner and the Scottish public services ombudsman. Any clarification of that would be welcome.

George Lyon: We will see to that.

The Convener: That would be helpful. As you know, our consultation closes on 8 January and we will consider a draft report on 16 January. It would help if you could write to us before the consultation closes.

George Lyon: We will get something to you quickly.

The Convener: Do members have any final wrap-up points?

Jim Mather: I have a question for the minister and another for the chief statistician. Given the desire to improve public trust, was any consideration given to allowing the chief statistician to be independent of ministers?

George Lyon: Do you mean here in Scotland?

Jim Mather: Yes.

George Lyon: A number of models, including a proposal for a separate Scottish body, were discussed and fully considered. We eventually agreed to go down the route that has been outlined to the committee this morning. I assure members that we had wide-ranging discussions on the various alternatives and on what was best for Scotland, and we think that we have made the right choice.

Jim Mather: What percentage of Government departments are under what you would classify as comprehensive statistical control, in which performance is predictable and we have the data to make comprehensive comparisons with elsewhere?

Rob Wishart: I am sorry; I am not quite sure what you mean. Are you talking about the Scottish Administration?

Jim Mather: What percentage of departments that are involved in Government activity and in producing statistics to allow us to know where they are under statistical control to the extent that we can see a predictable pattern of performance and we have the required data to compare performance here with performance elsewhere?

Rob Wishart: I would not like to make up a figure on the spot. The degree of control varies substantially. We plan such matters annually, so there are always areas where improvements are needed or where new information is required.

Jim Mather: Is it likely that the process under discussion will indicate gaps or areas that need to be improved?

George Lyon: You should take some comfort from the fact that about 90 per cent of the statistics that are produced in Scotland are national statistics, and are therefore validated according to international standards. As I said earlier, the key issue is the quality of statistics.

Jim Mather: If we are validating the statistics according to international standards, will we also see some international comparisons, to give us a real feel for performance here?

George Lyon: In developing policy, departments regularly make comparisons with other countries to find out whether other approaches might work and how well we are doing. For example, in education, we are in the top three or four European countries with regard to how well our schools are doing.

Jim Mather: My final question is for the chief statistician and relates to the key macroeconomic statistics that we use to monitor performance in Scotland. In that respect, I find it easier to follow the example of the corporate world, where, in order to enable it to understand how things are progressing, a board of directors considers aspects such as turnover, net profit, market share and, perhaps, profit by employee. What key macroeconomic statistics should we use to monitor progress in Scotland?

Rob Wishart: Our economic statistics plan sets out the various priorities and the range of economic statistics that are needed each year.

Jim Mather: Is there a subset of, say, four statistics that could be used as a finger on the pulse of the country?

Rob Wishart: One valid view is that we need to identify a set of key statistics. However, that has not been done because, after all, different people have different views on what constitutes a key statistic. We would have to consider the range of statistics across all areas.

Jim Mather: Is it likely that such work will be a by-product of this process?

Rob Wishart: As the new board will have the power not only to scrutinise in detail national statistics but to comment on the comprehensiveness of the Scottish Administration's statistics, I expect that it will pick up on that issue, particularly if the Parliament raises major concerns about gaps and other issues.

George Lyon: Without wanting to stray into the substance of the debate that the committee will have at the beginning of January, I should point out that the "Government Expenditure and Revenue in Scotland" report that was issued yesterday provides some of the key statistics that

might be required to discuss Scotland's future direction.

Mr Swinney: Does the chief statistician have the professional independence to identify, make a judgment on and recommend to ministers a group of key statistics that could be used to monitor economic and social health in Scotland, or is that matter ultimately decided on by ministers?

Rob Wishart: Based on our understanding of important issues and on consultation with users and potential providers of information, we indicate to ministers what we consider to be an appropriate range of statistics. Such indications take account of issues such as the partnership agreement, which the minister mentioned earlier and which obviously contains a range of matters on which the Executive will need information. As I told Mr Mather, there is no single set of key statistics for Scotland, although that could be addressed.

11:00

George Lyon: A huge range of statistics is produced for Scotland.

Mr Swinney: Nobody is disputing that. We are trying to find out whether, in the eyes of the chief statistician, a range of limited key performance indicators would enable us to judge the economic and social health of Scotland, which has been the focus of today's questioning. Is it possible to arrive at such indicators as a result of a statistician's professional judgment?

The Convener: It seems to me that the role of the statistics board is to come up with a wide range of comprehensive indicators. However, the selection of key performance indicators must remain a matter of political choice. Under the most recent Conservative Government, obscure measures—

Mr Swinney: With the greatest respect—

The Convener: Let me ask the question.

Mr Swinney: I asked Mr Wishart whether it is in the professional ambit of a statistician to identify a range of key performance indicators against which we can judge the economic and social health of the nation. I would be obliged if I could get an answer from him before I get a political commentary about the value of my question.

The Convener: I was simply going to ask the chief statistician to comment on the fact that obscure measures of the monetary supply were incredibly important as KPIs 20 years ago, whereas, more recently, employment has been judged as more significant than it was for the whole of the 1980s. In that context, I am interested to hear whether it would be appropriate for the

statistics board to select the KPIs or whether that is a matter of political judgment.

We have asked three questions, ranging around the comprehensiveness of statistics and whose role it is to select the key ones. I would be grateful if both the minister and the chief statistician would comment. We will hear from the chief statistician first.

Rob Wishart: Statisticians throughout the world have made various attempts to identify a set of key indicators, but consensus has not been arrived at. We advise ministers and discuss the range of statistics with users and providers. To take an extreme example, if a Government decided that it did not wish to produce unemployment figures, I would certainly comment accordingly. Beyond a number of key indicators, it becomes much more a matter of political discussion which measures are of real importance. What Parliament wishes to debate—as well as Government's needs—determines what statistics need to be considered. We indicate what we consider to be appropriate and comment specifically on how to measure things, which is a matter of professional judgment.

George Lyon: This is a matter of political debate. However, it is important that a range of statistics is produced right across all the policy areas that inform debate. There will always be a political debate about which indicators are the key performance indicators that indicate whether policies are failing. It is important that quality statistical information is produced across a gamut of areas to allow parliamentarians and the wider public to engage in a political debate about how well—or not so well—policies are being implemented or how well the country is doing.

Mr Swinney: My final question is on the environment of accountability under which the chief statistician operates. Is the chief statistician free to comment publicly on concerns that he might have about the Government's use of statistics, or does he operate under the same constraints as any other civil servant who is required, in effect, to represent the Government position?

The Convener: I invite Derek Brownlee to ask his question, before we wrap up the evidence session. The witnesses can then answer both questions.

Derek Brownlee: My question is simple. Mr Wishart mentioned a concordat between Westminster and here. I have heard references to a memorandum of understanding. What is the distinction between the concordat and the memorandum of understanding, and why was the concordat route chosen?

Rob Wishart: Will I answer Derek Brownlee's question first?

The Convener: Yes, whatever.

Rob Wishart: The concordat is an attachment to the memorandum of understanding. The memorandum refers to a small number of specific concordats, including the one on statistics.

Derek Brownlee: Is it common practice for both parts to be made available, so that we can see the ground rules?

Rob Wishart: They are publicly available.

George Lyon: I will answer John Swinney's question. Currently, the chief statistician does not comment publicly on the use of statistics but, given the provisions on accountability to the Parliament, a view will have to be taken on that.

The Convener: I thank the witnesses. The evidence deadline for this committee is 8 January. We expect to consider a draft report on 16 January, which we will have an opportunity to revise thereafter.

Relocation of Public Sector Jobs

11:07

The Convener: Item 2 is evidence on the relocation of public sector jobs. We have been receiving six-monthly progress reports since we completed our inquiry into relocation in 2004. Members will also be aware that, since our most recent report in June last year, Audit Scotland has produced its report on the policy. The Audit Committee is undertaking an inquiry on the basis of the Audit Scotland report, so the focus of our discussion should be the documents that we have before us and the issues that have arisen since our meeting in June.

Members have before them the latest progress report from the Deputy Minister for Finance, Public Service Reform and Parliamentary Business; a copy of the Executive's response to Audit Scotland's recommendations and its draft evaluation of the policy; and a copy of the letter that the deputy minister sent in September to address the points that we raised with him in June.

I welcome the officials who are accompanying the deputy minister. We have with us Neil Rennick, who is head of the public bodies and relocations division and Elspeth Hough, who is head of the relocation policy branch in the Scottish Executive. I invite the deputy minister to make a brief opening statement.

George Lyon: Since I spoke to the committee in June, there have been significant developments in relocation and in the committee. Today is the last time this session that I will report to the committee on relocation.

I will start by reflecting on the context of the report. The Executive's relocation policy was inaugurated in 1999 by the then First Minister, Donald Dewar, who spelt out the new Executive's aim of dispersing Government jobs as part of our wider aims to create a more accessible, open and responsive Government and to share throughout Scotland the benefits and opportunities that such jobs bring.

Our policy has had an important influence on those around us, in Ireland, Wales and the rest of the UK. The policy took effect soon after the announcement was made and, to date, we have reviewed 3,855 jobs, relocated 2,834 outside Edinburgh and decided on the proposed location of a further 1,001. That is no mean achievement, which is truly spreading the benefits of devolution throughout Scotland.

We have also worked hard, with the help of your committee, on the development of the policy. Key milestones have included the inception of an

additional strand of the policy—the small units initiative—in 2002; a renewal of our commitment to Government job dispersal in the partnership agreement of 2003; and, quite important, the Finance Committee inquiry in 2004 that identified a number of key issues that were also touched on by Audit Scotland in its recent report.

We also published the relocation guide in June 2005. The guide was approved by the committee and by the civil service unions. It sets out a standard and agreed methodology for the application of the policy. We have come a long way in the past seven years and I think that we have made significant progress.

The Audit Scotland report into relocation, which was published on 21 September and which considers 12 case-study relocations, thus comes at an apposite time. The Executive welcomes the report. It provides further useful analysis of the policy, sets out recommendations for the future of the policy, recognises the progress that has been made since 1999 and echoes the previous findings of this committee. We have taken on board the recommendations of the report and I will be happy to take your comments on the issue shortly. As the convener has pointed out, the Audit Committee will meet next week and in early January to consider the report.

I previously promised the committee that we would publish an evaluation into the relocation policy. The document that you have in front of you is the draft of that report, pending comments from the committee. As we promised, we have completed a three-strand evaluation: it looks into the effect on organisations, including the effect on costs; the effect on the receiving community; and an international comparison of relocation policies and practices in other Administrations.

The evaluation was an internal evaluation by the relocation policy team, but it drew on existing independent research evidence and conclusions. As the report notes, expert opinion suggests that it is not possible to assess the full impact of relocations until at least five years after an organisation has moved. In no instance do we yet have such data as the relocations in question are more recent. Bearing that caveat in mind, we have nevertheless attempted to draw out the main impacts that can be discerned to date. I would be happy to take your questions on those impacts.

In addition to enabling us to acquire a better understanding of the relocations to date, the evaluation process has also brought a number of lessons to our attention. We must consider those lessons further in our future work.

We have continued to make progress on relocation reviews in recent months. Since I last reported to the committee, ministers have decided

that Caledonian MacBrayne's asset-owning company—or vesco—should be located in Port Glasgow. The first staff have now moved into their temporary accommodation.

As we announced on 24 November, we have decided that it is not appropriate to take a decision at this time on the relocation of Registers of Scotland. Registers of Scotland is implementing a large change programme that is scheduled to achieve significant efficiencies. It is important that relocation should be managed within that context. We have therefore asked Registers of Scotland to report back to us within the next year to advise on how relocation can be integrated into the change programme.

Our decision on Registers of Scotland is consistent with previous decisions not to proceed immediately with location options until the relevant body's wider organisational needs and circumstances are clearer. Our decision should not be seen as any weakening of our commitment to relocation policy and to the benefits of sharing public sector employment opportunities across Scotland, particularly in areas with social and economic needs.

I confirm today that we have five location reviews in progress. They are for the new police complaints commissioner for Scotland; the Scottish legal complaints commission; creative Scotland, which will draw together the Scottish Arts Council and Scottish Screen; the Scottish charity appeals panel; and the new co-operative development agency, which we announced last year. Together, the reviews are considering the location of a further 200 public sector posts. As with previous reviews, our final decisions will take account of the business needs of each organisation, the potential socioeconomic benefits for the areas receiving posts and our wider commitments to efficient government and value-for-money considerations.

The committee has previously requested that I give an update on progress attracting United Kingdom relocations to Scotland as well as information on our own relocation reviews. In October, we organised for the office of Government commerce's programme manager with responsibility for UK relocations to come to Scotland to hold a seminar for local authorities and enterprise companies to explain the UK policy and to explain what localities can do to advance their case for some of the jobs that are being relocated to Scotland. We continue to further our links with the UK and to ensure that we are raising the profile of the benefits of operating in Scotland.

We have much to be proud of, but we are not complacent; there is obviously still more to be done. I would be happy to take questions on any of the issues that I have mentioned.

The Convener: As you know, the committee has been concerned since the early days about the process for initiating relocation reviews: a review is triggered by a reorganisation or a lease break. We felt that that militated against the taking of a strategic approach. Are there plans to change the trigger? Many public sector jobs that are eligible for relocation remain unreviewed because there has been no reorganisation and no lease break.

George Lyon: Last time I appeared before the committee, I mentioned that we were appraising all the property in Scotland that the Executive and other organisations own. We have data for the Executive but not for other organisations. Collecting such data will give us a wide view of the rental levels and ownership arrangements for buildings right across the public sector. That process will give us further opportunities to examine where co-locations or triggers for relocations might arise. That appraisal is significant and it is well under way. I hope that it will be concluded in the not-too-distant future and give us the opportunity to look into this issue again.

11:15

The Convener: A timetable for that would be helpful. You are in the process of creating a database of properties available for relocation, but what incentive will there be for a manager to initiate a relocation review?

George Lyon: Best-value and efficient government initiatives in local government will provide managers with opportunities to consider co-location and shared services.

Jim Mather: I note that future evaluations of the benefit of relocations will take place five years down the line. Have lessons been learned from efficient government initiatives? We have information on gross costs, but not on the costs of achieving savings. There is no baseline. Is an attempt being made to establish a baseline so that we can monitor staff turnover and staff absenteeism in relocated departments, and customer satisfaction?

George Lyon: The member raises an important point. The evaluation has thrown up weaknesses. Trying to establish baseline costs is much easier with standalone organisations, for which such costs were collected anyway. Doing so with organisations that have emerged from being part of the Executive has been more difficult. The figures were audited, but they were not broken down into the costs for each particular part of the overall organisation. From now on, that will be done as a matter of course. There will be a baseline so that we can say, "Here is what the

running costs were before relocation, and here is what they will be after.”

Clearly, we have also to consider the one-off costs of relocation. As the evaluation shows, we do not have the advantage that the UK Government has, whereby on relocation there is automatically a big win because of the effect of the London weighting on wages and terms and conditions. Removing that weighting leads to substantial savings. We do not have that advantage in Scotland, and given that labour tends to be the biggest cost by far in any Government organisation, the one-off cost of moving will always be quite high.

I take Mr Mather’s point. We are ensuring that a baseline will be part of the evaluation process from now on.

Jim Mather: Are there any plans to involve the receiving local authority in the process? Will the local authorities that receive the relocated jobs carry out an evaluation of the impact?

George Lyon: We have tried to discern that from local authorities and enterprise companies. Our point was not that it would be five years before we measured the impact. If you consider the Experian report, which is quoted in the evaluation document, you will see that the limited evaluation work that has been done suggests that it is only after five years that we can start to measure the benefits to the communities to which there has been relocation. We should remember that we are at the forefront of relocation—in some ways, Scotland blazed the trail for the policy. We are at very early stages, and some of the evaluation and benefits that we are hearing about cannot be completely bottomed out through measurement. That is the next stage of an evaluation further down the line.

Jim Mather: There is a slight contradiction in that, although we have a question mark over the full future impact and benefits of relocation to the receiving end, you have carried out an initial assessment of the impact on Edinburgh and are confidently tabling the statement that there has been no negative impact. How can you be sure of that when it is too early to assess the impact on the receiving area?

George Lyon: What we did in the evaluation was look at the number of jobs created in Edinburgh and the impact on its economy. From 2000 to 2004, the Edinburgh economy created 40,000 new jobs. Judging by the quotations from the City of Edinburgh Council, the key issue seems to have been finding people to fill the jobs. The Edinburgh economy is doing extremely well compared with the rest of Scotland. It was easy enough to measure whether there had been an overall impact on the Edinburgh economy; it is

much harder to evaluate the impact of jobs on other economies, but we are committed to doing it.

In some ways, it is easier to measure the impact in small units. It is much easier to measure the impact in places such as Kinlochleven, Tieve, Dingwall or Dumfries, given that an organisation is going into a small community and we can see the number of jobs that are being created. It is not as easy to draw out precisely what makes the difference in larger conurbations such as Glasgow and Dundee—so that work will have to be continued as we develop the policy.

Jim Mather: I hope that you understand the contradiction. If you can evaluate the impact of taking jobs out of and bringing new jobs into Edinburgh, it should be equally straightforward to evaluate the impact of moving jobs into Glasgow. It is just one side of the transaction.

George Lyon: We are at the forefront of relocation. The best advice that we are receiving from Experian, which has done the work, is that it takes a little longer to measure the impact on the receiving area. We should take some comfort that all local authorities and local enterprise companies—and, indeed, the majority of MSPs—are keen to have job relocations to their areas. I have heard no local enterprise company or council say that it is a bad idea that will not bring any benefits. I am sure that we will be able to capture the data further down the line.

As I said, it is easier to measure the impact of relocation in smaller communities—I confidently predict that we should be able to pick up that information in the not-too-distant future—and it is more difficult to point conclusively to relocation making the difference in bigger conurbations.

Mark Ballard: Every local enterprise company may want relocation to its patch, but the Finance Committee is trying to investigate the net impact on, and the value for money for, the whole of Scotland.

I want to take you up on your analysis of the impact on the Edinburgh economy. The report says that

“the economy of Edinburgh is thriving”,

but it does not seem to cover the marginal impact of relocation. It states merely that the Edinburgh economy is thriving—so relocation must have been all right. To assess the impact of transferring 4,000 jobs, you need to look at those jobs rather than take a snapshot picture of the Edinburgh economy and determine success on the basis of the fact that it is still doing well economically.

George Lyon: It is not a snapshot. We have taken information on the number of jobs created between 2000 and 2004—the latest figures—and looked at evaluations of the job market. The

evidence that Edinburgh has continued to thrive despite the transfer of jobs to other areas of Scotland is conclusive.

Mark Ballard: Surely the question should be what the impact of that job transfer has been. Would Edinburgh have thrived more or less without a transfer? Simply saying that the Edinburgh economy is thriving does not tell us anything about the impact of the transfer of the 4,000 jobs.

George Lyon: With respect, I think that it does. If relocation had had a negative impact on Edinburgh, we would not have seen the number of jobs created rise as dramatically as it has. Anyone looking at the situation from the outside would see that although 4,000 jobs have been transferred, 40,000 new ones have been created over a shorter period. Many areas in Scotland would be delighted with that performance from their local economy, and I am sure that some members of the committee represent them.

Mr Arbuckle: Looking at the policy and where the various relocations have taken place, I wonder whether the criteria are correct. I know that you have indicated time and again that we need five years before we can judge the policy, but you are continuing with it. Most relocations are going to deprived areas, but few are going to rural areas. Do the criteria require nudging?

George Lyon: The criteria are balanced—50 per cent depends on the social and economic needs of areas and 50 per cent depends on business efficiency and benefits to the organisation in question. A substantial number of jobs have gone to Glasgow. Given the figures for deprivation, poverty and the other problems that Glasgow faces, one would expect a significant number to go there—because of how the priorities and policy are laid out.

It is also important to note that bigger organisations need appropriate buildings of a certain size, transport links and so on, so they often end up in a city because of the nature and size of the project. However, many areas throughout Scotland have benefited from the policy and will continue to do so in the future. It is a policy that commands support across the Parliament on a non-partisan basis.

Mr Swinney: You said that most of the jobs went to deprived areas and that it was not surprising that so many went to Glasgow, but a number of those bodies have gone to addresses that have either G1 or G2 postcodes, which are city-centre locations. How does that square with your objectives?

If my memory serves me right, sportscotland is to be relocated to Mr McAveety's constituency. I understand how that may kick-start economic

activity in a deprived area, but the location of the Scottish Executive Enterprise, Transport and Lifelong Learning Department in Waterloo Street and Transport Scotland at the top end of Hope Street does not strike me as a process that will kick-start economic development in a deprived area. The point applies not only to Glasgow: the Scottish Commission for the Regulation of Care was located in a city centre location in Dundee.

11:30

George Lyon: The decisions on the ETLLD and Transport Scotland were influenced by strong business case reasons about the ability to do business, as well as socioeconomic factors. Indeed, the ETLLD was relocated before the introduction of the policy objective of balancing the socioeconomic and business priorities. That was an early decision that involved good business reasons why the department should go to Meridian Court. There were strong business reasons in relation to Transport Scotland, too, given that it has taken on the role of running the railways and that there was a lot of expertise in the area in the Strathclyde Passenger Transport Executive. There was a strong business case as well as a socioeconomic argument as to why Transport Scotland should go there.

About 54 per cent of the jobs have gone to Glasgow. In a couple of the national health service transfers, 300 of the jobs were already based in Glasgow, so there was a strong business case for locating in Glasgow.

Mr Swinney: Yes, but my point is that although the policy has been sold as one that will benefit deprived areas, there is no discernible evidence or pattern to demonstrate that that is the case, given that bodies have been located in the centre of conurbations.

George Lyon: In part, the issue is about the business case and whether suitable buildings exist. If I recall correctly, the sportscotland relocation involves a new build by Glasgow City Council, to ensure that it goes to the appropriate place. There are other reasons why Glasgow has been picked for relocations—the reasons are both business related and socioeconomic.

Mr Swinney: The draft report says that all local enterprise companies in Scotland have been affected by relocation, but in the case of Tayside, part of which I represent, all the relocations have been to the city of Dundee. Not one job has been located in the counties of Angus or Perth and Kinross, part of which I represent. From the forward plan, there seems to be absolutely no prospect of anything going in that direction in the period that lies ahead. The point has been raised repeatedly by me, by local authorities and by the

local enterprise company. Are you prepared to reconsider the arguments for relocations to those two counties, which have predominantly low-wage economies? Perth and Kinross has the lowest wage economy in Scotland, which I would say is one of the strongest arguments for relocation.

George Lyon: I am keen for jobs to be spread throughout Scotland. Of the 32 local authorities, 25 have appeared on shortlists and 19 have received locations or relocations of new or existing posts under the policy. A significant number—the majority—of councils in Scotland have had the benefit of relocation or have been on shortlists. Some councils have not appeared on shortlists, but that is partly down to the criteria that are used. Four primary factors are involved in final decisions on location: a low ranking on socioeconomic factors; a lack of suitable accommodation, which is sometimes a problem; a lack of suitable transport connections; and other business efficiency factors. We may well have to revisit the issues if it is felt that the policy is not spreading the jobs throughout Scotland. The member has raised the issue consistently with me and I am willing to consider it again.

Mr McAveety: I welcome the relocation of sportscotland to G31, which is a more interesting postal district than G2 could ever be in the city of Glasgow. Obviously, that move is predicated on the return of the present coalition or a majority for the Labour Party, as the main Opposition party is reluctant to relocate sportscotland to new headquarters in Glasgow. That will be an interesting constituency debate come the election.

The Joseph Rowntree Foundation has said that the policy is a useful tool to help disadvantaged areas, but that one key concern is individuals' capacity to travel substantial distances to work. That suggests that a lot of work needs to be done in preparation for relocation. In the review of the policy, if we hope to take a broader approach, how can we put in place an analysis that acknowledges that city centres in the major conurbations have dominated, whether in the north-east in Dundee or in Glasgow, or with the jobs that have remained in Edinburgh? Relocations of the kind of big workplaces that would really benefit areas would need a bit more work to get people ready. What preparatory work can be done now for something that might be effective three, four or five years down the road? How does that link to the issue that Wendy Alexander raised, about having a much more open view of how we trigger or identify relocation, rather than base it on lease break or a change in organisation? What are your thoughts on those issues?

George Lyon: The points that you raise with regard to areas being able to prepare and the issues about travel to work are important. In

reporting to the committee, I have heard on several occasions that we might want to take a more strategic look at the issues. I am sure that, in the forthcoming months, geographical targeting might be included in the debate, too. That is certainly an issue for the debate that will take place when the next Administration comes into power.

The Convener: On that note, I encourage committee members collectively to stick to the strategic high ground that the committee has occupied for the first three and a half years of this session of Parliament. That is another way of saying that we are not keeping to our rather impressive timekeeping schedule of the recent past. I plead with the few members who have yet to ask questions to keep them brief.

Mr McAveety: A bit of Christmas levity should be allowed, convener.

Mr Swinney: Charity.

Mark Ballard: The minister acknowledged that relocation has implications for staff, particularly union representatives, but implied that the policy is working well because staff who have not relocated have been absorbed into other parts of the civil service and support has been provided. If that is the case, why has the Public and Commercial Services Union called for a moratorium on relocations? Does that not indicate a certain amount of unhappiness among the staff who are represented by the union?

George Lyon: I understand the concerns that unions such as PCS have on the issue. A relocation review is a time of uncertainty for any organisation and its staff. The people who work for the organisation will have concerns about the matter, but the key issue is to ensure that staff are kept fully informed of what is happening and what the options might be if a decision is taken to relocate.

I am pleased that the Auditor General for Scotland's report concluded that the relocations have all been managed well. He scrutinised the management of the process of relocation, which is difficult for any organisation, because not only must it try to relocate, it must deliver a service on a daily basis while it does so. I take comfort from the fact that the Auditor General's report said that the transfers have been managed well.

If staff issues arise that need to be addressed, we will consider them seriously, but a lot of work has been done to ensure that staff have been kept fully informed and provided with the appropriate information to allow them to make decisions if and when a relocation goes ahead. We will continue to emphasise the importance of that because, at the end of the day, the staff are key to ensuring that service delivery continues to a high-quality level

throughout the period of uncertainty until the decision is taken, as well as throughout the period of uncertainty during the relocation, which can take a significant amount of time.

Mark Ballard: It is not only the staff who will be relocating who will be uncertain—staff who choose not to relocate will also be uncertain. The final sentences of paragraph 3.27 of the report on the Executive's relocation policy state:

"Staff survey evidence indicates that new and relocated staff are generally content with their new locations. No survey analysis has been undertaken of other staff who have not relocated with their previous organisation."

Why has no survey work on staff who have chosen not to relocate been undertaken?

George Lyon: Obviously, such staff have been satisfied that they have received an alternative offer to stay in Edinburgh. I presume that they have been happy to take up that option. It is correct to survey staff who have transferred so that we can find out about their experiences and try to improve how we deal with staff issues in future relocations. That is a key issue.

Mark Ballard: Do you agree that there is a major concern about staff who choose not to relocate, for family or other reasons, and that the Scottish Executive should monitor the impact of relocations on them?

George Lyon: I am not aware of that issue having been raised by individuals who have chosen to stay in Edinburgh or by the unions. However, if there is an issue, I am sure that we will receive representations on it. If we do, we will consider the matter.

Mark Ballard: I am sure that representations will be forthcoming.

Your report states that although bodies can sign up to the register of non-departmental public bodies that are eligible for transfer to the civil service, such transfers can take place only when the receiving organisations have adequate capacity. Do you envisage that there will always be adequate capacity to absorb staff who choose not to relocate?

George Lyon: The Government of the day will have to deal with such matters; things will depend on its policies. The current Administration has made a commitment to absorb, but I cannot predict what the next Administration will decide or its financial and fiscal position. All that I can say is that members of staff who wished to stay in Edinburgh have been absorbed; I cannot make a commitment about what will happen in the future or on behalf of another Administration.

Mark Ballard: But there is a current commitment to absorb staff.

George Lyon: Yes.

Derek Brownlee: The costs of relocations have been controversial. Scottish Natural Heritage is the example that one would expect to be used in that context. In the autumn budget revision, £16 million was transferred to SNH to help to fund relocation costs. I presume that costs were building up for a while.

George Lyon: I am sorry, but will you—

Derek Brownlee: In the autumn budget revision in October, I think, £16 million—

George Lyon: Are you referring to the money that was transferred to purchase the building?

Derek Brownlee: Yes. Money was transferred from Scottish Water. I am sure that you were not aware that that money would be needed when the decision to relocate SNH was taken. When did it become clear that such costs would be involved?

George Lyon: At stage 1 of the review process, all the possible locations are considered. Those locations are then narrowed down to potential locations—of which there could be between three and six—for stage 2; an attempt is then made to bottom out the costs. The results of that process are fed to ministers so that they can make a final decision. I think that the decisions on every relocation apart from that involving SNH have been made on a best-value basis.

Once a decision has been made in principle, further costs relating to the number of staff who will transfer, for example, may arise as the process moves towards project management. When I was told that five members of staff would transfer to Tiree when the croft house grant scheme unit was transferred there, you could have knocked me down with a feather; I did not expect anyone to transfer there—the expectation was that people would be recruited locally. The only person in the Accountant in Bankruptcy who transferred was the chief executive; new employees were taken on locally. Bottoming down exact costs is difficult. All that we can do is use historical information and estimate how many people will transfer in each organisation. Transferring staff is not cheap; significant relocation costs per head are involved.

I return to Scottish Water. Some £16 million was made available from Scottish Water's budget for SNH's building. The cost estimate for the relocation was £28 million to £29 million. I think that the figure was £22 million in net present value terms, which takes into account the sale of buildings in Edinburgh plus depreciation of various capital items. SNH is clearly at the extreme with regard to one-off costs. The majority of one-off costs are about a quarter of its one-off costs; at the top end, they are around a third.

11:45

Derek Brownlee: I accept that SNH is at one end of the scale.

George Lyon: Thankfully, one-off costs are consistent. There can be variations, but we are starting to see a pattern.

Derek Brownlee: I presume that SNH's costs have been considered more carefully than other organisations' costs have been, as it is at one end of the spectrum and stands out.

George Lyon: The costs have been carefully considered. I am sure that the Audit Committee will spend a significant amount of time considering them and the ministerial direction that was required to allow the relocation to go ahead. The accountable officer for the project said that he was concerned about the costs per job that were involved.

Derek Brownlee: I understand what you are saying, but I am puzzled. If costs were closely scrutinised and an amount was significant enough to be included in a budget revision, there must have been a significant period of time before the revision in which proposals were reviewed and challenged and alternatives were considered. However, you said in September that there had been no call on funding for SNH. That was obviously true at the time, but did you know then that there would be a call on funding in the budget revision a month later?

George Lyon: There was a transfer within the department. There were significant internal discussions, and discussions with SNH, on whether leasing a building or outright purchase of a new building would be the correct option. Once the economic case had been considered, it was decided that purchasing a new building would be the correct way to proceed. There was no draw on money from the centre to finance the process—it was financed from departmental expenditure. The committee received evidence relating to the transfer of money from one budget in the department to another budget to finance a one-off cost. The correct decision was taken because we wanted to take the best-value option, which was outright purchase. As no plans existed in the department to spend certain capital, it was right to transfer that capital to meet those costs, rather than draw money from the centre. Leaving aside the small units initiative, there has been no funding from the centre for any of the relocations that have taken place to date—everything has been funded through departmental budgets.

Dr Murray: I have a question about Registers of Scotland, but first I want to take you to task on a table entitled "Location and Relocation: Completed

Moves", which is contained in an annex to the relocation report. The table indicates that Forest Enterprise Scotland relocated 20 posts to Inverness and Dumfries. In fact, only two posts went to Inverness; the rest stayed where they were. That is not really a completed move—people simply stayed where they were.

Only 17 jobs have gone to Dumfries and Galloway under the small units relocation policy. Those jobs are welcome, but they have gone to a town with a population of 37,000. There is not much evidence of such moves to smaller towns such as Langholm, Annan or Whithorn. Will we see more movement to smaller locations in the future?

George Lyon: I am certainly keen for that to happen—I encourage my colleagues constantly to make proposals for small units to be freed off and moved to some of our more rural areas.

As members will recall, the stage 1 proposal to relocate Registers of Scotland considered a complete transfer, which was rejected. The second stage proposal was for a partial relocation, under which one of the options was to move two small units to Dingwall and Dumfries. Although such relocations were considered for Registers of Scotland, we decided that because of the significant on-going change management programme, which is part of the efficient government programme that will bring significant changes to how that organisation works, with potentially fewer staff, we needed to give the organisation more time to work up its plans and proposals fully and to ask it to incorporate any relocation as part of its plan. That is why the decision about relocation was put on hold.

Dr Murray: I take it that the wholesale relocation of Registers of Scotland is no longer an option.

George Lyon: That was rejected at stage 1; the result of the stage 2 review was that we decided not to act on relocation. As a result of the efficient government programme, Registers of Scotland has been re-engineering its business. It is undergoing a huge re-engineering of how it goes about its business, which will involve a significant reduction in the number of staff that it will need in the future. It was felt that until the organisation had come to firm conclusions about how its plan would progress, we should leave relocation on hold and ask for it to be built into the change programme. Significant change is going on in that organisation and relocation has to be part of that change, rather than sitting on top of it. That was the danger in going ahead with partial relocation.

Dr Murray: Have you any idea about the timescale? I spoke to people from the Public and Commercial Services Union last week and they said that relocation has been hanging over people

for a long time, which affects staff morale. There is also a feeling that people have not been consulted about the proposed relocation. Can you reassure staff that they will be involved in any consultation, so that they can at least see on the horizon when the decision will be made?

George Lyon: I hope that Registers of Scotland will consult its staff fully. I will be happy to look at any concerns that are raised. I emphasise, however, that the current change programme does not take away the uncertainty that hangs over staff. It is a significant piece of work and, as I understand it, Registers of Scotland will come to a final view some time next year about how the organisation will look into the future.

There is potential for relocation opportunities in that change programme, but they must be driven by the organisation's needs when it plans how it will do its business in the future. That is why ministers took the view that we should not go ahead with partial relocation and that any relocation should be built into the change project on which the organisation has embarked when it considers what is best for the business.

The Convener: The six-monthly reviews since 2004 have kept us in step with a policy that has evolved significantly over that period. The challenge to us as we look forward is how the relocation policy will be reviewed fully and strategically. Perhaps clerks and officials will touch base in that area so that our legacy paper contains thoughts about how the policy will be properly reviewed in the future; such review might take a different form from that which it has taken over the past couple of years.

I thank the minister and his officials very much for their evidence. We will take a five-minute comfort break before considering our final agenda item, which I do not envisage taking long.

11:54

Meeting suspended.

12:00

On resuming—

Legacy Paper

The Convener: I call the meeting to order and promise that I will do my best to finish as soon as possible. I will say a word by way of background. Arthur Midwinter, the budget adviser, has produced an excellent paper. As ever, he takes a view, so I have no doubt that several of us will want to change elements of the paper.

The adviser's paper goes to the heart of what will be in our legacy paper. As committee members know, we will hold two seminars in February. One will focus on the budgetary process and the other will be on financial memoranda. The adviser's paper will be fundamental to the seminar on the budgetary process. We are discussing the paper now because Arthur Midwinter will not necessarily be able to be with us when we discuss it in February. It would help if the Scottish Parliament information centre took the main insights from the adviser's paper and used it to help us to structure the discussion—perhaps via overheads—when external people participate in the budgetary seminar, because it is important that they focus on the choices. In that respect, the adviser's paper provides an excellent summary and is an excellent thought starter.

I am a wee bit reluctant for us to rehearse today the discussion that will be the subject of a full seminar in February. Arthur Midwinter has been kind enough to agree to take questions on the paper. I throw open the meeting to members to ask questions to clarify or raise anything. We will use the adviser's paper as the basis for an open discussion with others about the budgetary process in February.

Mark Ballard: Paragraph 24 says:

"the Executive has strategic priorities for the budget, but no strategic targets ... Cross-cutting themes such as Sustainable Development or Closing the Opportunity Gap utilise baskets of indicators outwith the budget process".

Do you mean that those baskets of indicators could or should be used? How do they relate to the budget process?

Professor Arthur Midwinter (Adviser): The indicators do not relate to the budget process. Both themes are attached to departments, which is why I do not regard them as cross-cutting themes. For me, a cross-cutting target overarches everything. I have seen about 20 indicators used in a sustainable development document and a similar number on closing the opportunity gap, which the Executive has changed regularly—first

under the social justice portfolio and now under the communities portfolio.

The indicators have no direct link to the budget process. They might well be used internally for a department's business plan and its own monitoring of progress but, as far as I can tell, they are not indicators or targets that are used to influence the allocation of resources or to assess performance on spend. The targets that are in the budget are supposed to be able to be linked directly to specific spend.

Mark Ballard: I would like us to have a good look at those links at the seminars.

The Convener: Paragraph 28 begins:

"The problem of strategic targets can only be resolved by the Executive adopting strategic priorities which it can reasonably expect to influence through public spending. Economic growth is not in this category."

The assessment that economic growth cannot be influenced through public spending is a little more pessimistic than one I would favour, but we can discuss that at the budgetary seminar.

I will describe what emerges from the paper and take up the point that Mark Ballard made—perhaps SPICe will have the chance to discuss the matter with Arthur Midwinter beforehand. Much of the paper contains factual commentary on what happened in the second parliamentary session. It also makes recommendations. We are not looking for endorsement of recommendations today. We are saying that we should turn into overheads the factual commentary about what has happened and the recommendations. We will have a point-by-point discussion of those recommendations in which other people will participate at the February seminar. That will give the document the authority of being not simply a budget paper from the adviser. Come February, we will or will not make recommendations on several matters.

Dr Murray: I have a comment on appendix 1, which contains potential performance indicators for national programmes. One of the indicators for education is school occupancy rates. I know that Audit Scotland uses information on school occupancy rates when it audits councils, but concern has been flagged up to the Education Committee about the use of such information in relation to rural authorities. School occupancy rates in rural areas might appear to be fairly poor, but the alternative is for children to be transported many miles around the countryside. The relevance of the statistics for rural areas has been questioned.

Professor Midwinter: It would still be up to individual councils to take whatever decisions they choose to take, but it would be useful to know the position throughout the country. I stress that the indicators already exist on a small-area basis but

that they do not exist for the nation as a whole. There is a huge gap in the system. When the Executive did its own best-value work, it considered how well it advises ministers rather than how well the programmes that it manages do. There is a need for national performance indicators.

The Convener: There are some important strategic insights buried in the paper. Unlike our budget report, it gives the answer to the question, "How do we get a more strategic approach?" At present, there are four years between the setting of spending targets and four years before we evaluate them. The paper contains some important meat, which is why breaking it down into its constituent components would give the committee a chance to get external buy-in and have real authority for the legacy paper.

Jim Mather: I make the link between paragraphs 24 and 30, which cover strategic priorities, strategic targets and the need for commitment to continuous improvement. When I consider those in the context of the performance indicators in appendix 1, I am left with the impression, which was partly formed by our earlier conversation with Rob Wishart, that the measures that we have for managing the performance of Scotland plc are short of what we would have if we were running a business. A business would have its finger on the pulse of turnover, net profit, market share, profit per employee and so on. I am coming to the conclusion that Government revenues, growth, population, life expectancy and the birth rate are measures that would, at a macro level, give us a feel for how effective Government policy is. They would allow us to monitor what is happening in Scotland.

The Convener: This point might be too concerned with process to be discussed at today's meeting, but it relates to Elaine Murray's point on the performance indicators in appendix 1 and whether we want to go with them. Members will recall that we had a good session with Michael Barber from the Prime Minister's delivery unit in the Cabinet Office, who came to talk to us about how the delivery unit got the number of indicators down to fewer than 20 for the whole Government. He made the case that it was preferable to have a small number of indicators. In structuring the day, it might be helpful to have someone from the delivery unit tell us whether, three years on, they have stuck with fewer than 20, whether they are the same 20, and what the advantage is of having 20 rather than 64 or 128. We should revisit that issue with the authority of the whole committee.

Jim Mather: That would be most welcome. A key issue is the fact that, when we engage with thinkers on the issue of strategic targets, we find that there are now deep misgivings about arbitrary

numeric targets in any timeframe because people will make huge efforts to distort things by diverting budgetary allocations or doing whatever else they can to make the number. Modern thinking is that we should say, "This is an important measure. We seek to improve it incrementally over time and keep the process under statistical control."

Professor Midwinter: I agree. The list of indicators in appendix 1 is simply illustrative. It is not a preferred list. I was asked to examine what was available. Also, because I was aware that today would be my last meeting with you on a budget matter, I wanted to put on the record my view of the budget process. You are at liberty to accept or not accept any part of it. I just wanted to leave something with you. There will be no more budget meetings in the current session because there will be no annual evaluation report in March.

I have sticky difficulties with economic growth because it is quite clear that the researchers whom we commissioned were not able to draw direct links between spending on particular areas and economic growth. Instead, we got a general statement to the effect that if money is spent on health and education, there will be a better prospect of economic growth. The budget process is supposed to link spending directly to outputs. I feel that the committee has not heard any evidence that economic growth, as it is measured, is suitable as a target for the budget, if the Executive cannot identify how much of its spending is linked to achieving that target.

Jim Mather: I have some sympathy with that. Of all the people with whom I have engaged in this debate, Graham Leicester, formerly of the Scottish Council Foundation, produced the most interesting feedback. He said that, at the end of the day, when everything is distilled and evaporated off, the only two measures that are really important in terms of knowing how well a country is doing are its population's demographic breakdown and life expectancy relative to those of its neighbours.

Mr Swinney: In paragraph 21, Arthur Midwinter comments:

"Linking resources to results ... remains problematic because of the range of internal and external factors which influence outcomes.

I can accept that analysis, but I find it a terribly pessimistic view of what we can do to manage a process that leads to improved performance and effectiveness of spending. The committee has to kick that around and decide what we want to say about it. If we just keep on spending the money without knowing whether it is making the slightest difference, that becomes a problem.

The Convener: I agree. The helpful thing is that Arthur Midwinter has, as ever, given us a view. He has provided us with a template that we need to

test against external bodies and other interested parties at our budget scrutiny seminar in February. If there is an opportunity for SPICe and Arthur to liaise briefly in advance of that seminar, about the part that is history and the part that is recommendations, that would give our legacy paper considerable authority in that area. Arthur, we are enormously grateful to you.

Professor Midwinter: I have been working with a council for the past year, trying to deliver a similar process. We asked the departments that were making bids for resources to say precisely how the spending would affect the service and the impact that it would have, where they could say so, and that became a target. Where the link was less direct and they were unable to say what the impact would be, we asked them to flag up a potential benefit, but the only ones that we are prepared to keep in the document are the ones that we can measure. That is how we dealt with the situation at local authority level.

Mr Swinney: There is a debate to be had about how spending is allocated, how we assess its effectiveness and how we try to generate more benefit from that expenditure.

The Convener: The good news is that Arthur Midwinter will be back long before we sign off our final legacy paper. If we have our budget seminar in February, when we can discuss some of the finer points about how far we want to go, I would at least like us to have the option of resolving the matter at our meeting on 6 March, which is the final meeting that Arthur will attend. I would like to have him with us when we finally sign off the legacy paper, because I would like to get the nuance of some of that groundbreaking stuff right.

On that note, I wish all committee members a happy Christmas break. I will see you again on 8 January. Some members will be joining us for lunch in the members' dining room on Thursday, with the clerks and members of SPICe. We have so many debates next week that we thought we should have our Christmas lunch this week.

Meeting closed at 12:14.

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