

# **FINANCE COMMITTEE**

Tuesday 29 January 2008

Session 3

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## FINANCE COMMITTEE

### 4<sup>th</sup> Meeting 2008, Session 3

#### CONVENER

\*Andrew Welsh (Angus) (SNP)

#### DEPUTY CONVENER

\*Elaine Murray (Dumfries) (Lab)

#### COMMITTEE MEMBERS

\*Derek Brownlee (South of Scotland) (Con)

\*Joe Fitz Patrick (Dundee West) (SNP)

\*James Kelly (Glasgow Rutherglen) (Lab)

Liam McArthur (Orkney) (LD)

\*Tom McCabe (Hamilton South) (Lab)

\*Alex Neil (Central Scotland) (SNP)

#### COMMITTEE SUBSTITUTES

Roseanna Cunningham (Perth) (SNP)

\*Ross Finnie (West of Scotland) (LD)

Murdo Fraser (Mid Scotland and Fife) (Con)

Peter Peacock (Highlands and Islands) (Lab)

\*attended

#### THE FOLLOWING GAVE EVIDENCE:

John Swinney (Cabinet Secretary for Finance and Sustainable Growth)

#### CLERK TO THE COMMITTEE

Susan Duffy

#### SENIOR ASSISTANT CLERK

Mark Brough

#### ASSISTANT CLERK

Allan Campbell

#### LOCATION

Committee Room 6



# Scottish Parliament

## Finance Committee

*Tuesday 29 January 2008*

[THE CONVENER *opened the meeting at 14:03*]

### Budget (Scotland) Bill: Stage 2

**The Convener (Andrew Welsh):** Good afternoon and welcome to the Finance Committee's third meeting in 2008.

I ask everyone to turn off mobile phones or pagers. Even if they are on silent, they can still affect the broadcasting system, so please turn them all off now.

We have apologies from Liam McArthur. I welcome Ross Finnie to the meeting as the committee substitute for the Liberal Democrats and ask him to declare any relevant interests.

**Ross Finnie (West of Scotland) (LD):** I have no interests to declare.

**The Convener:** The first item on today's agenda is stage 2 consideration of the Budget (Scotland) Bill. As well as having copies of the bill, committee members will have a note from the clerk. I draw the committee's attention to two points in the paper: first, only a member of the Scottish Government can lodge an amendment to the bill; and, secondly, as stated in paragraph 5 of the note, it is not possible to leave out a section of or schedule to the bill by disagreeing to it because, in order to do so, an amendment would have had to be lodged.

I thought that it would be useful to allow the Cabinet Secretary for Finance and Sustainable Growth to make some explanatory remarks about the bill and to give members the opportunity to ask questions before we start the formal procedure.

**The Cabinet Secretary for Finance and Sustainable Growth (John Swinney):** Thank you, convener. I welcome this opportunity to continue the scrutiny and discussion of the budget proposals for 2008-09 at stage 2.

First, I thank the committee for its work on the budget process. I acknowledge that that work has been undertaken in a slightly compressed timescale, although we were anxious to ensure that committees had the traditional two-month period in which to undertake scrutiny. The committee's report on the 2008-09 draft budget was substantial, and the Government has given careful consideration to the points and recommendations that have been made. I sent the committee my formal response earlier today, and

a number of the issues raised by the committee were also discussed in the stage 1 debate last Wednesday in Parliament.

This afternoon's meeting of the Finance Committee focuses on the detail of the Budget (Scotland) Bill itself, as approved in principle last Wednesday by Parliament. The key point to make clear is that the figures in the bill do not reflect any changes from those already scrutinised as part of the budget process to date, apart from the separate identification of a small budget of £3 million for English for speakers of other languages as a level 3 in its own right.

However, as committee members may be aware, there are differences in the presentation of budget information between the draft budget and the budget bill. In order to assist the committee, I will explain the main differences with reference to table 1.2 on page 3 of the supporting document. Column A sets out by portfolio the 2008-09 budget as shown in table 1 of the spending review document, which was published last November. Column J sets out the budgets as reflected in the Budget (Scotland) Bill, and columns B to I provide details of the adjustments that are necessary to meet the statutory requirements of the parliamentary process.

The major adjustments set out are as follows. First, there is the exclusion of £83 million of non-departmental public body non-cash costs, which do not require parliamentary approval. Those are mainly in relation to capital charges and cover bodies such as the national institutions, Scottish Enterprise and Scottish Natural Heritage. Another element that varies between the spending review document and the bill comes from taking into account income of just over £1.7 billion from national insurance contributions, which is used to fund approximately 15 per cent of health and well-being portfolio expenditure.

There is also the exclusion of local authority supported borrowing and judicial salaries, amounting to a little over £330 million. Adjustments have been made to portfolio budgets to reflect the requirement that separate parliamentary approval is required for a number of directly funded and external bodies, including the National Archives of Scotland, the Forestry Commission and the Food Standards Agency.

The final difference is the restatement of the specific grants included in the overall 2008-09 local authority settlement that remain ring fenced under the appropriate cabinet secretary responsibility. For example, police grant remains the responsibility of the Cabinet Secretary for Justice. Full details of all grants treated in that way are included in the summary table on page 77 of the supporting document.

I again make it clear that those are essentially technical adjustments and do not change in any way the budget that has so far been scrutinised by this and other committees and approved in principle by Parliament. However, they raise a number of what could be charitably described as interesting, and perhaps confusing, issues in relation to the clarity and transparency of the budget process. They could usefully be addressed as part of the review of that process—a review that I welcome.

There is a strong case for looking again at the difference between how the budget information is presented in the budget bill and the announcement of budget information in the spending review, which is driven by the statutory requirements of the Parliament. I would certainly support any attempts to address those anomalies with a view to simplifying the presentation of budget information and making it more readily understandable both to members of Parliament and to the wider public.

The final question that I want to address is on where we are in the budget process. Parliament approved an amendment to the Government's motion, requiring the Government to reconsider the support available for the recruitment of police officers and for accelerating the timescale for the introduction of a reduction in business rates for smaller companies. The Government is giving active consideration to those proposals as part of the budget review process, and I will report back to Parliament accordingly on the Government's response.

I am delighted to answer the committee's questions.

**The Convener:** I thank the minister for those clarifications and explanations, which are now on the record. Do members have any questions?

**Elaine Murray (Dumfries) (Lab):** Minister, you have not lodged any stage 2 amendments. However, the Finance Committee has made two suggestions, and a number of issues arose during the stage 1 debate. Since that debate, a number of announcements have been made—for example, on additional funding for universities, and possibly some additional funding for vocational training. Are you considering lodging amendments at stage 3 to take account of the recent announcements?

**John Swinney:** I am reflecting on last Wednesday's stage 1 debate in Parliament. The debate was comprehensive and many different propositions were made by MSPs. I am considering all the points that were raised. In particular, I am considering the committee's amendment, which was successful. After considering all the points, I will report back to Parliament with any proposed amendments in advance of stage 3.

**Elaine Murray:** You have announced an extra £10 million for higher education. Will that lead to a budgetary change?

**John Swinney:** That money is covered in the settlement for the financial year 2007-08, so it has no consequences for the Budget (Scotland) Bill for the next financial year.

**The Convener:** As there are no further questions, I thank the minister for what he has said.

We turn now to the formal proceedings on the bill. We have no amendments to deal with, but under standing orders we are obliged to consider, and agree formally, each section of and schedule to the bill, as well as its long title. We shall take the sections in order, with schedules being taken immediately after the section that introduces them. We shall take the long title last. Fortunately, standing orders allow us to put a single question when groups of sections or schedules fall to be considered consecutively. Unless members disagree, that is what I propose to do. Do members agree with my proposal?

**Members indicated agreement.**

*Section 1 agreed to.*

*Schedules 1 and 2 agreed to.*

*Section 2 agreed to.*

*Schedules 3 and 4 agreed to.*

*Sections 3 to 5 agreed to.*

*Schedule 5 agreed to.*

*Sections 6 to 10 agreed to.*

*Long title agreed to.*

**The Convener:** That ends our stage 2 consideration of the bill. I thank members for their input and for their consideration of these matters.

14:12

*Meeting suspended.*

14:13

*On resuming—*

## Relocation of Public Sector Jobs

**The Convener:** The second item on today's agenda is evidence on the new Scottish Government's policy on the relocation of public sector jobs. In the previous session of Parliament, the Finance Committee received updates every six months on the then Scottish Executive's relocation policy, following the committee's inquiry in 2004. We felt it important to continue that work, and today's evidence session is our first chance to question the Scottish Government on its views on relocation. Members will note that the Scottish Government published its new policy on Monday. The policy has been circulated electronically, and hard copies have also been made available at members' places.

I welcome the cabinet secretary and two Scottish Government officials: Mr David Thomson, who is the deputy director of relocation policy, and Mr Ralph Garden, who is head of facilities and estates services.

I invite the cabinet secretary to say a few words about the Scottish Government's new policy on the relocation of public sector jobs.

14:15

**John Swinney:** I thank the committee for the opportunity to discuss the Government's approach to the location of public sector jobs. I will set out our proposals for this important policy. As the convener said, I shared a copy of the draft policy statement with him and with committee members yesterday.

The previous Administration's policy came under significant scrutiny from a range of sources—most recently from the Auditor General for Scotland, who completed a report in September 2006, and subsequently from the Finance Committee and the Audit Committee. I have studied those reports in depth and their conclusions have influenced the Government's thinking about the issue. The analysis that has been conducted suggests that the previous Administration's policy had not demonstrably achieved its intended aims of dispersal, assisting areas that are in socioeconomic need and providing cost-effective delivery solutions. Much money was spent on moving organisations, business continuity experienced a significant cost and individuals whose posts were relocated experienced disruption. In return, there was little evidence of benefit for the spend that was incurred: savings were achieved in few instances, and demonstrable benefits to communities were limited, with the exception of the small unit initiative moves.

In view of those findings and our commitment to achieve efficiencies and the best use of public funds, the Administration's relocation policy will be driven forward principally by strategic estate management in the Government. The Government will implement the approach that I have set out through an estate management policy, which will be a strategic measure to ensure that the Government achieves not only the best and most efficient use of space but efficiencies in our capital and revenue spend on accommodation. It will be guided by the findings of the recent review of asset management, which I have published, and it will apply to the core Scottish Government, its non-ministerial departments, agencies and non-departmental public bodies.

The Scottish Government's facilities and estates services will have a strategic overview of all accommodation moves and commitments and will work with individual organisations to assess their needs and to identify suitable accommodation. Priority will be given to the reuse of suitable Government estate and to identifying cost-effective delivery solutions.

As I said, the Government believes that the small unit initiative has delivered significant benefits and it will take forward that strand of the previous relocation policy, in recognition of the greater proportion of benefits that it achieved by delivering high-quality jobs to remote and rural areas in which even a small number of posts bring demonstrable benefits to the community.

We will take account of the commitment by the First Minister and the Government not to have compulsory redundancies over the spending review period, which will avoid any impact on staff who happen to relocate as part of the Government's estate management effort.

I will write to the chief executives of agencies and NDPBs to clarify the arrangements and our role in ensuring that we achieve the efficiencies that I envisage through the new approach. I am aware that several organisations had commenced the review process under the previous Administration's relocation policy and that they are waiting for clarification of their position. We will resolve those issues shortly and will provide guidance to the organisations concerned. I will of course advise the committee of the contents of that guidance.

I do not propose to reopen relocation decisions that the previous Administration took, unless concerns are felt about the business cases that were involved. Through the steps that we are taking on the policy, which are intended to save money, we will free up resources to devote to tested policies that will bring demonstrable benefits to communities throughout Scotland and

will contribute directly to realising the Government's objectives.

We have engaged in significant discussion with employees and unions about the approach that we plan to take, and I will be happy to discuss with the committee this afternoon any of the issues that my statement and the policy raise.

**Elaine Murray:** As you know, I have a particular interest in how the policy has developed, because Fergus Ewing and I were the reporters for the previous committee's inquiry into relocation in 2003 and 2004. Susan Duffy and Ross Burnside were involved in our fact-finding mission to Dublin to find out about practice in Ireland. The previous committee was particularly pleased that the then Scottish Executive accepted several of its recommendations, which became part of a new relocation policy.

In the debate that followed the publication of the Finance Committee's report in 2004, Mr Ewing said:

"The relocation or decentralisation of public sector jobs is based on the idea that every part of a nation should benefit from the presence of people who work in the public sector in all its forms. All parties are committed to that principle."—*[Official Report, 15 September 2004; c 10156.]*

Is the Scottish National Party Government still committed to that principle? What do you see as the purpose of relocation?

**John Swinney:** I agree with the comments that Mr Ewing put on the record. The Government takes the view that all parts of Scotland should share in the benefit of having a civil service presence. Where there are opportunities for us to make decisions that will enhance areas' ability to benefit in that fashion, we will take them. The trigger for our doing so will be an assessment of the Government's approach to estate management, to determine which facilities and locations are appropriate for the efficient delivery of public services.

None of us takes the view—the Government certainly does not take it—that every civil servant needs to work in Edinburgh to guarantee that we have an effective, functioning civil service. There are many examples of civil service jobs located in different parts of the country for which the organisational arrangements are perfect. Our drive in approaching the policy will be to take decisions that are consistent with the efficient use of the Government's estate. In assessing the use of that estate, we will seek opportunities to locate jobs in other parts of the country.

**Elaine Murray:** You say that the assessment of estate management will be the trigger for relocation. The previous trigger for examining the possibility of relocation was lease break. Are you extending the policy from properties where leases

have come to an end to the management of the entire estate? Will you consider relocating departments from properties that the Government owns?

**John Swinney:** I have now published the asset management review, which was led by the chief planner on the Government's behalf and reported to me. I was rather surprised to find that not all areas of the Government have an estate management plan in place. I was also surprised to find that in some Government organisations there is a certain amount of resistance to what could be described as central direction on location, use of buildings and estate management, which are fundamental to the Government's efficiency agenda.

In taking forward estate management, we will identify situations in which too few people are located in too big a building, for example. That may become a trigger for identifying the ideal location for those individuals. The approach that we are proposing, which is based on strategic estate management, introduces a substantial trigger to the process. It allows the Government to make judgments on the efficient operation of its estate and opens up opportunities for relocation into the bargain.

**Elaine Murray:** In theory, would you consider the relocation of departments from Victoria Quay, if you thought that that was appropriate?

**John Swinney:** Victoria Quay is not a good example, because it is a significant centre of activity. However, I can think of other places where the Government is not occupying buildings to full capacity and is incurring significant costs. There are opportunities for us to rationalise some of that estate. However, we will be able to do so only if the Government has a co-ordinated, cohesive approach to the issue. Such an approach will be introduced as a consequence of the asset management review. I hope that it will open up opportunities for us to make progress in the area.

**Elaine Murray:** I move on to the decision-making process. The previous Finance Committee's inquiry was prompted by a lack of transparency in the early days. The Scottish Executive's first relocation policy evolved from a desire to spread jobs across the country, and it was not clear how decisions were being made. There were questions over the weighting that was given to certain criteria. For example, being near an airport was very important, and somewhere such as Dumfries and Galloway, which does not have an airport, was unlikely to get anything. The situation changed, however, when the new policy came in. That was one of the triggers for reassessing the earlier policy.

What is the mechanism now for decision making? The second policy was a lot more



transparent about the way in which decisions on relocation were made. A lot of people were not comfortable with the fact that everything appeared to be going to Glasgow, but there was more transparency around the criteria that were used to make those decisions. What is going to happen now? Will it just be down to a particular minister deciding that they want a Government department or an NDPB to go to a particular constituency?

**John Swinney:** I reassure Dr Murray that ministers will be involved in the process and that the Cabinet Secretary for Finance and Sustainable Growth will have to sign off each proposition. In the circumstances, I do not know whether that is a reassurance or a worry.

The Government's criteria in decision making will include the suitability of the location for the organisation's identified needs. First, we will take into account business continuity, the potential for local recruitment and the availability of local housing for staff. Secondly, we will assess the availability, at a reasonable cost and within a reasonable timescale, of a suitable property or site. Thirdly, we will identify the potential to achieve efficiency savings and value for money.

We will also consider whether there is an opportunity to contribute to local regeneration or economic growth and whether there might be the opportunity to link up with a local centre of excellence or a particular strength in a locality. We will also fundamentally look at—as we all have to do in every aspect of Government policy—the implications of any change for carbon emissions and the potential impact on the environment. We will bear all those considerations in mind. There will also be a dialogue between me and the relevant minister about how those issues are to be addressed before we reach agreement on the steps to be taken.

I understand and appreciate the significance of parliamentary scrutiny of such matters. The concerns over the earlier policy focused on the absence of parliamentary scrutiny. If the committee wished to see a report from the Government on the factors that were being considered in relation to each relocation, I would be only too happy to provide that to the committee. If the committee wished to follow that up with an oral evidence session, I would be happy to provide oral evidence to the committee. Although I have identified the criteria, I am happy to offer the committee a platform for yet further scrutiny.

**The Convener:** That is appreciated.

**Elaine Murray:** There is always a lot of interest among local authorities if a potential relocation is in the offing. Local authorities and enterprise companies like to put their case together, and they lobby MSPs and others in trying to put the case for

siting the relocation in their area. What potential is there in your new relocation policy for authorities to make their case to you on how their areas are particularly appropriate? How will they be able to sell their pitch for any relocation?

**John Swinney:** As with all issues, the Government is only too happy to hear representations from different parts of Scotland about the interest that they have in Government policy and the particular elements that the Government should consider. In the first instance, those authorities should channel such presentations and opinions through my office. In the course of my discussions with local authorities last year, several authorities mentioned to me their interest in the location of public sector employment in their locality. I am aware of those circumstances, and my officials have received that information.

14:30

**Elaine Murray:** How will local authorities know what might be coming up? If opportunities will be triggered by the estate management process, how will authorities become aware of a proposal that they might be interested in?

**John Swinney:** If we foresee such circumstances arising, it will be relatively easy for the Government to make that information available to local authorities—I will be quite happy to furnish them with it.

**Derek Brownlee (South of Scotland) (Con):** I would like more detail on the process that will now be followed. The key principles section of the document that you have published talks about obtaining

“best value for money for the Scottish Government as a whole”,

provided that the organisation concerned can continue to function. I think that we would all agree that that is a reasonable principle.

Annex B of the chief planner's review gives various costs associated with the different rental values across the country. Although it is not surprising that the costs in Edinburgh and Glasgow are quite significant, the costs in Inverness—which presumably relate to Scottish Natural Heritage—are higher than we might expect. The lowest costs that are shown are for Ayr and Dumfries. Given that the costs of office space in those places are extremely reasonable, one might think that, from a value for money perspective, the Government should shift some estate down there. On that basis, Ayr and Dumfries might be suitable choices for a lot of relocations.

The next principle is that, in pursuing value for money, there will be “no compulsory

redundancies". Let us say that you ascertained that, from a value for money perspective, an Edinburgh-based organisation that had a significant number of staff could continue to function well elsewhere—sufficiently far away from Edinburgh that people would have to move to continue their employment at the organisation. Would the policy of no compulsory redundancies not, in effect, trump the policy of pursuing best value for the Government as a whole, or am I misreading the way in which the document is constructed?

**John Swinney:** I am not quite sure that I follow the member's logic, but let me explain our thinking. We are in a financial climate in which the emphasis on value for money will become an ever more recurring theme. We have not received and, in the next three to six years, are not likely to receive increases in resources of the magnitude to which we have been accustomed over the past six to eight years. I cannot readily think of many organisations that would be able to manage the entire cost of relocating to another part of the country from within their recurring budget with great ease. Efficiency and value for money must be the paramount considerations.

There are ways of managing relocation without compulsory redundancies. Traditionally, staff have been redeployed to other responsibilities within Government. That is one way of avoiding compulsory redundancies that we can apply, but I come back to the importance of value for money for the action that we take.

**Derek Brownlee:** Once that hurdle has been crossed, value for money is the crucial consideration. If the only route to better value for money lay in compulsory redundancies and the alternative route of redeployment was not open, you would not pursue relocation because the policy of no compulsory redundancies would prohibit your taking a longer-term view of how to achieve value for money.

**John Swinney:** You suggest that relocation from one town or city to another is the only solution, but there might be circumstances in which an organisation that was using a building inefficiently could make an effective efficiency gain by relocating to another building. There are ways of getting round the problem, but the Government certainly has a clear commitment to no compulsory redundancies, and that will guide the policy.

**The Convener:** I know that these matters are complex, but less preamble and more homing in on the question would help.

**Joe FitzPatrick (Dundee West) (SNP):** The cabinet secretary will be aware that there are concerns in some areas—Dundee being one of

them—that, in spite of the previous policy's main aim being to spread the benefits of devolution, they did not spread outwith the M8 corridor. Rather than being spread throughout Scotland, jobs generally moved from Edinburgh to Glasgow—with the one notable exception of SNH.

As a constituency member for Dundee, I am reassured to see the key principle of efficiency savings. The cabinet secretary talked about some of the other important factors, such as accommodation. Dundee ticks an awful lot of those boxes in general terms, although decisions have to be made on how a specific organisation fits into a particular community. Does the cabinet secretary agree that places such as Dundee should regard the more transparent criteria for location decisions as an opportunity to benefit from relocations in the future?

**John Swinney:** Clearly, there are opportunities in the policy. I am optimistic about looking at location policy through the prism of efficiency and estate management. I come back to the point that I made to Dr Murray: the Government has not been in a position to drive estate management because of some resistance to its being in the driving seat, but it now has an opportunity to do that, to reconsider the locations of some organisations and to determine whether all those locations are working at optimum efficiency. There are undoubtedly opportunities to be realised out of that.

One of Dundee's great strengths is its connectivity and accessibility. If the Government could persuade more people to get on the trains in Fife and go north rather than south, we would relieve some of the congestion on the trains that come over the Forth bridge with further employment opportunities in Dundee.

There are good opportunities and ways in which the Government can recognise the benefits that relocating can bring to different parts of the country.

**The Convener:** I hope that we can stick to general principles and avoid the temptation of making specific bids.

**Tom McCabe (Hamilton South) (Lab):** Cabinet secretary, can you see a slight contradiction in some of what you have said this afternoon? You concurred with what Mr Ewing previously said about the benefits being spread to all parts of Scotland, but you also said that the driver would be the strategic management of Government assets. Flowing from the fact that the main driver of the policy is the management of the Government's assets, there could be a worry in places around Scotland that, although the Government cares about them, it cares about itself first. If you overcome that, different locations might

get some benefit but, if you cannot, they will not. Will you give me your thoughts on that? Also, is the principle of economic redistribution now absent from relocation policy or would you still consider it?

**John Swinney:** On the thinking behind the Government's approach, we must have certain triggers for a particular policy. We could identify a number of triggers and could simply say that one objective is to remove a certain percentage of civil service jobs from Edinburgh to other parts of the country. That would be a legitimate trigger for the policy, but it would raise the question of how we would support it financially.

That is the challenge of the period that is ahead of us. We must consider how we can merge the interests of our policy on efficiency and our policy on relocation. In essence, that is what I did in the announcement that I made yesterday. I drew together those two factors and said that we would entrench our relocation approach in the opportunities that are thrown up by pressing for efficiency.

I remind the committee that efficiency is not some sort of peripheral consideration for the Government; it is fundamental to the budget process and to the decisions that we have made in the strategic spending review. Efficiency is a central indicator of the approach that the Government must take in the management of its resources. After we have drawn together those two elements—efficiency and the relocation agenda—there are opportunities, as I confirmed to Mr FitzPatrick, for relocation to take place around the country.

On the point about economic redistribution, we said in our policy statement that consideration would be given to the

"opportunity afforded to contribute to ... local regeneration/economic growth".

Therefore, civil service or public sector jobs would go to areas where their location would make an economic difference. That will be a fundamental consideration when deciding on the destination of any relocation, and it will illustrate how the Government's decisions will be influenced by the needs and requirements of certain localities.

**Tom McCabe:** I would like a wee bit of clarification on that. I see some logic and common sense in the approach that you are taking. Clearly, you want to rationalise the estate and you may decide to take advantage of opportunities that present themselves to do that. It is the stage after that about which I am more concerned. You said that one of the drivers for relocation would be that it would bring economic benefit to an area. There would probably be economic benefit to most areas if any number of jobs relocated there. Would your

decision on relocation be driven by the criterion of areas that would get the most economic benefit, given their current economic situation?

**John Swinney:** We mentioned in the policy document that, among the factors that the Government will consider, is the

"potential for recruitment/match with local employment trends, skill-sets and available local housing."

The Government could relocate public sector jobs to some parts of Scotland where we would not be able to fill the posts because the labour market is crammed full there. That therefore points us in the direction of areas where there will be labour market opportunities, which suggests to me areas where we could make a greater economic impact.

Obviously, it is difficult, when the Government has cited seven different factors that it will consider as part of any relocation decision, to say other than that we will consider all those factors in the round in order to come to a judgment about what would be the most suitable locations. However, the best way to take that forward would be to identify where the economic benefit would be at its greatest—that would influence the Government's thinking considerably.

**Ross Finnie:** I want to pursue Tom McCabe's point. The Government's document makes an important distinction between asset management and the issue of location, which follows on from the fundamental issue of how the asset is managed. I do not disagree with that because I have long held the view that the fact that Government accounts do not properly recognise capital and revenue distinctions has led to some interesting propositions, which you are now confronting, which is to be welcomed. However, I must put it to you that the way in which your policy statement is structured suggests that you are clearly driving for those in whatever Government body to place more emphasis on eventually achieving day-by-day asset management. Therefore, relocation, although it is part of the policy, will be considered very much down the road of the policy. Given that you cite the small units initiative, which was more proactive in seeking to relocate jobs, there seems to be slight confusion.

14:45

**John Swinney:** If there is confusion about the small units initiative, I will not get into the game of saying where that confusion has come from, but Tavish Scott was quoted in a newspaper this morning as saying:

"The SNP have effectively turned the engine off on the small units relocation policy."

That is absolutely not the case. The small units initiative will remain a proactive initiative of the

Government. The Government acknowledges that it is a good and robust initiative, which brings clear benefits to the localities that it affects. We have every intention of retaining the proactive element of the scheme as we inherited it.

Your substantial point is interesting, because it gets to the heart of what motivates the people who run many of our public sector organisations. I have been surprised by the lack of attention that is paid to asset management in a variety of areas in the Government and in agencies. Not enough attention seems to have been paid to the need to drive efficiency through the estate management approach, which is a major theme that we have injected into the policy process.

If we take the approach that we propose, it is undeniable that a number of organisations and elements of Government that have not properly considered efficiency will be forced to acknowledge that they are in unsuitable locations. Their locations will therefore have to be called into question, which will provide the trigger that is important in relation to the policy. It is clear that there are opportunities for efficiency gains to be made from relocation—Mr Brownlee mentioned rental and other costs in different localities. That is the emphasis that I want to place on the policy.

**Ross Finnie:** I follow that. However, efficiency does not necessarily require a major departure from the city of Edinburgh and its environs. The issue is difficult, as it was for the previous Government, given the history—not just in Scotland but in Britain and other countries, particularly in Europe—of civil service activity moving towards the capital city in which the Parliament resides.

I am not suggesting that it is easy to address the issue, but doing so requires an emphasis that is different from simply saying that we want to be more efficient. Although a mindset that focuses purely on efficiency might raise the opportunity for relocation, it will not mean that people in Government are actively thinking that it might be better to distribute jobs throughout the country, in the way in which Fergus Ewing had in mind.

**John Swinney:** That would be the case if we did not have a tough and exacting challenge on efficiency savings in every year of the spending review period. If we had a business-as-usual budget, your proposition would be fair. However, that is not the case. We require organisations to look pretty hard at their operating activities and approach, to guarantee that they can deliver the efficiency improvements that the Government is talking about.

If an organisation is rattling around in a building that is far too big and expensive for it, in a budget situation where the Government is requiring 2 per

cent annual cash efficiency savings, those responsible cannot take the view that, although it is nice to have an asset management strategy, they will not do anything about the issues that it raises for them. The Government is saying to every organisation in the public sector that it must perform against exacting standards of efficiency. That is the factor that must drive much of the consideration in this area.

**The Convener:** James Kelly will ask about effectiveness and evaluation.

**James Kelly (Glasgow Rutherglen) (Lab):** I would like first to pursue one of the issues that Tom McCabe raised. You have indicated that you will look at seven factors, ranging from value for money to carbon emissions. What is your thinking on the issue of social deprivation? There are still a number of areas of social deprivation in Scotland that would benefit from relocation and economic investment. For example, one could say that the relocation of sportscotland is investment in the east end of Glasgow, as it will create jobs, enable people to become economically active and help to tackle social deprivation in the area. How will tackling social deprivation factor into the policy that has been announced?

**John Swinney:** As I said to Mr McCabe, the opportunity that relocation offers to stimulate local regeneration and economic growth will be part of the Government's consideration of the issue. The relocation of sportscotland to the east end of Glasgow is a good example of such an opportunity. The issue will be part of the Government's thinking.

Not many of the relocations that have taken place in the past eight years could be identified as relocations to tackle deprivation. A number of organisations were moved to central Glasgow, Inverness and Livingston. I have not seen much evidence that relocation stimulates efforts to tackle deprivation. There are many other ways in which we tackle deprivation through the Government's policies. I do not put relocation policy at the top of the list of effective measures for doing that.

The relocation of sportscotland is a good example, because it is one of a number of measures that are being taken in the area to encourage regeneration and stimulate different activities. However, the effectiveness in that respect of a number of the other ventures that have been undertaken has been limited.

**James Kelly:** How will the success of the policy be evaluated, once it has bedded in? What criteria will be used to evaluate it?

**John Swinney:** We will test the policy in relation to the seven factors that we have set out. The Finance Committee has taken a keen interest in the issue over the years. Traditionally, the committee has taken evidence on it annually. I

would be delighted to continue that pattern, if the committee wishes. We will evaluate each relocation to determine whether it has achieved the outcomes that we set out in yesterday's policy document and will report openly on the results.

**Elaine Murray:** I want to follow up on James Kelly's question. Looking forward to 2011, do you have an expectation or aspiration that a higher percentage of civil service and NDPB jobs will be relocated outside Edinburgh? Is it your expectation or aspiration that, over the parliamentary session, the receiving areas for those jobs will be more widely distributed across Scotland?

**John Swinney:** That is a difficult question to answer. The Government has put in place a framework that will allow such relocations to be taken forward and to be driven by the criteria that I set out. Obviously, we will be as energetic as we can in pursuing and identifying opportunities and we will be happy to report on progress over the course of the next three years. It is difficult to identify what our specific expectations might be, but I will be in a better position to report on that once we have done more work on our asset management and estate management approach. That will guarantee that we have a better handle on the approaches that have been taken by different components of Government.

**Elaine Murray:** Yesterday's announcement was reported along the lines that fewer Government jobs would be relocated. Is there still an aspiration to distribute jobs throughout Scotland in line with the sentiments that Mr Ewing expressed about the benefits of relocation?

**John Swinney:** I have that aspiration, but the policy will be driven by the factors that I have set out, including public finance considerations and the need to pursue the efficiency agenda. I think that the drivers of the policy will be clearer and easier to identify and tabulate than the pretty blunt approach of the previous Administration. The driver of the policy is set out in the document and that is what our expectation will be. As for media coverage, need I say more? The media may reflect on policies and announcements in the fashion that they choose, but the Government's aspirations are as I set out in my opening statement to the committee.

**Alex Neil (Central Scotland) (SNP):** I have two questions. First, relocations usually bring economic benefits to the recipient area, but is there any evidence that previous relocations have provided a net economic benefit at the Scottish level?

**John Swinney:** None that I have seen. Although economic consultants could doubtless construct a model to assess those benefits, I have not seen any analysis that gives us that picture of

benefits at the Scottish level. It would be rather difficult to construct such a model, given the challenges of securing reliable data on what has driven performance in particular parts of the country.

**Alex Neil:** I am thinking that the likes of sportscotland's relocation to Glasgow might result in increased labour market participation in that part of Glasgow.

**John Swinney:** Examples such as that one or the relocation of small units—even the three jobs that were relocated to Tiree—will probably produce an identifiable quantum of economic benefit in the locality. However, I think that we will struggle to assess either the particular economic impact of the relocation of Transport Scotland to whatever the street is called in the centre of Glasgow, or its more generic impact, which will be equally difficult to quantify.

**Alex Neil:** Secondly, although the focus of our discussion is obviously on the relocation of Scottish Government jobs within Scotland, is the Scottish Government pursuing the potential relocation of civil service jobs from London to Scotland? United Kingdom Government budget figures show that we in Scotland subsidise central UK departments to the tune of £500 million a year. We are therefore not getting anything like our share of spend on central UK departments. Is the Government pursuing the potential relocation of civil service jobs from London to Scotland?

15:00

**John Swinney:** That work is carried out by Scottish Development International, which acts on behalf of local authorities in Scotland to present the benefits of operating in Scotland to UK Government departments. I understand that, to date, 13,000 UK Government jobs have been relocated within the UK, and that 814 of those have come to Scotland. Proportionately, we are travelling light, but SDI will take forward those issues in a quasi-inward-investment fashion. It represents the interests of Scottish local authorities and presents a case directly to the UK Government.

**The Convener:** Would the minister like to make any closing comments?

**John Swinney:** No.

**The Convener:** We thank the cabinet secretary, Mr Thomson and Mr Garden for their evidence, which will be of assistance to the committee in its work.

**Elaine Murray:** The cabinet secretary helpfully suggested that he would be prepared to come back to the committee to report on relocations. I believe that in the past, we took a report on

relocation every six months. Is it in order to request that that happens again?

**Alex Neil:** We do not need to do it every six months, do we? Would once a year not be enough?

**Elaine Murray:** I disagree. We were doing it every six months in response to the changes in the relocation policies of the previous Executive. Given that a new policy is coming in, it would be appropriate to have a report from the Government every six months rather than once a year.

**The Convener:** The minister has expressed his willingness to report back, and we appreciate that. If we allow the clerks to produce a note on the issue, we can consider it further.

## Subordinate Legislation

### Public Contracts and Utilities Contracts (Scotland) Amendment Regulations 2007 (SSI 2007/565)

15:02

**The Convener:** The final item is consideration of a negative Scottish statutory instrument. Members have a note from the clerks that explains the policy effect of the regulations and the negative procedure. Given the non-controversial nature of the regulations, I propose that we make no recommendation to Parliament. Are members content with that approach?

**Members** *indicated agreement.*

*Meeting closed at 15:03.*

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