

LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

Wednesday 23 September 2009

Session 3

£5.00

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Printed and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by
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LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

23rd Meeting 2009, Session 3

CONVENER

*Duncan McNeil (Greenock and Inverclyde) (Lab)

DEPUTY CONVENER

*Alasdair Allan (Western Isles) (SNP)

COMMITTEE MEMBERS

*Bob Doris (Glasgow) (SNP)

*Patricia Ferguson (Glasgow Maryhill) (Lab)

David McLetchie (Edinburgh Pentlands) (Con)

*Mary Mulligan (Linlithgow) (Lab)

Jim Tolson (Dunfermline West) (LD)

*John Wilson (Central Scotland) (SNP)

COMMITTEE SUBSTITUTES

Brian Adam (Aberdeen North) (SNP)

Paul Martin (Glasgow Springburn) (Lab)

Alison McInnes (North East Scotland) (LD)

*Margaret Mitchell (Central Scotland) (Con)

*attended

THE FOLLOWING GAVE EVIDENCE:

Sir John Arbuthnott (Clyde Valley Review of Joint Working and Shared Services)

Councillor Michael Cook (Convention of Scottish Local Authorities)

Colin Mair (Improvement Service)

Rory Mair (Convention of Scottish Local Authorities)

CLERK TO THE COMMITTEE

Susan Duffy

SENIOR ASSISTANT CLERK

David McLaren

ASSISTANT CLERK

Ian Cowan

LOCATION

Committee Room 1

Scottish Parliament

Local Government and Communities Committee

Wednesday 23 September 2009

[THE CONVENER opened the meeting at 10:00]

Interests

The Convener (Duncan McNeil): Good morning and welcome to the Local Government and Communities Committee's 23rd meeting in 2009. Members of the committee and the public should turn off mobile phones and BlackBerrys.

Apologies have been received from Jim Tolson and David McLetchie. I welcome Margaret Mitchell, who is attending as a committee substitute for the Conservative party. I ask her if she has any relevant interests to declare.

Margaret Mitchell (Central Scotland) (Con): I have no declarable interests, convener.

Local Government Finance Inquiry

10:00

The Convener: Agenda item 1 is the taking of oral evidence as part of our local government finance inquiry. I welcome Sir John Arbuthnott, chair of the Clyde valley review of joint working and shared services; Councillor Michael Cook, spokesperson for strategic human resources management with the Convention of Scottish Local Authorities; Rory Mair, chief executive of COSLA; and Colin Mair, chief executive of the Improvement Service. We have only one panel of witnesses, so we are prepared to accept brief introductory remarks if anyone wishes to make them.

Councillor Michael Cook (Convention of Scottish Local Authorities): It would be helpful to make some. I thank the committee for asking us to give evidence on shared services and efficiencies. We are happy to provide information on those issues, and if we stray into other areas we will seek to respond to questions on them. If any information is not to hand, we might need to revisit it.

We submitted written evidence to the committee on efficiencies and shared services. In a way, the evidence on efficiencies speaks for itself. Local government delivery against recurring efficiency targets since 2005-06 has been 131 per cent, which is a significant achievement and success.

I have two observations on shared services. The first is that shared services are not an end in themselves; they are simply one method, although a vital one, of delivering more effective and efficient services. Any local authority approaches shared services on the basis of two propositions. The first is whether the shared services deliver the best possible outcomes to meet the customer's needs, and the second is whether they deliver process and cost efficiencies. In short, the yardstick that is used to assess shared services approaches, and other options, is whether they deliver best value. The appropriate phrase is "options appraisal", because the use of shared services is usually an outcome from that.

My second point is on the understanding of shared services. Sometimes, there is an understanding of what we mean by shared services, but at other times there is a relatively narrow interpretation of what they are. It is important to say that the term does not simply mean a large shed on the outskirts of Sodom or Gomorrah where we stick a whole bunch of people. Fundamentally, the approach involves any co-operative arrangement that is designed to

deliver services as efficiently as possible to meet customers' needs.

For example, in Scottish Borders Council—my council—the approach ranges across a huge spectrum of activity. At one level, we have in-council developments, such as the creation of single customer service desks in localities. At another level, we have cross-agency arrangements, such as a community safety team that involves the council and the police working together on a co-located basis. At another level, we have full integration of services, such as the local authority working with Borders NHS Board to deliver mental health and disability services. We also have cross-authority arrangements, a good example of which is the south of Scotland broadband pathfinder project, which is a £32 million programme involving Scottish Borders Council and Dumfries and Galloway Council. Then there are national arrangements, obvious examples of which are Scotland Excel and the myjobscotland website.

The two considerations that I think are important are therefore the fact that we need to define what we mean by shared services and the fact that the shared services approach represents only one of a number of methods that can be used to drive out efficiencies from our organisations.

I will conclude my remarks by making the simple observation that you find the Improvement Service and COSLA tending to come together on these issues, because this is very much a combined effort. The effort on shared services is shared by the organisations and they have been committed to it for some time, as is amply demonstrated by the written evidence that is before you.

Sir John Arbuthnott (Clyde Valley Review of Joint Working and Shared Services): Thank you for the invitation to come here today. As I made clear in my brief written submission, the review of joint working and shared services is on-going. It was initiated by the leaders of the eight local authorities that constitute the members of the Clyde valley partnership. Other partners are associated with the partnership in a looser way.

Essentially, towards the end of March I was asked to undertake the review, and I began seriously to do so at the beginning of April. I am assisted by a team of core lead advisers from all the councils. That core team, together with the lead officers of the councils, have assisted me in scoping many of the things that Councillor Cook outlined. In particular, councils are preparing for the constraints that they will face for many years to come. The trigger for the review, however, was an appreciation that the budgetary situation and the United Kingdom borrowing situation are likely to impinge in a major way on the provision of public

services for a long time, and that we had better be prepared for that.

The core group that I mentioned is involved in the review on a daily and weekly basis. I have met representatives of many organisations and agencies and others who wish to comment on their position regarding the review. The consultation process has been open and very busy for me.

The main point is that, each month, I meet the leaders and chief executives of all eight local authorities. Yesterday, we had a breakthrough when we had a summit meeting with that group, along with Strathclyde Police, Strathclyde Fire and Rescue, Strathclyde partnership for transport, NHS Greater Glasgow and Clyde, NHS Lanarkshire and Scottish Enterprise, in the form of their chairs and chief officers. That group is collectively looking at all the aspects that I am interested in. The commitment that has been shown so far by all the partners and the local authorities has been extremely helpful to me.

We have sliced the activities and the spend of the local authorities into three. The bottom slice is generally known as support services—it is also known as the back office, but I do not like that term—which constitutes about 15 per cent of spend. A great deal of work has been done on that since the beginning of the century. Early in 2000, we had modernising government, and then we had efficient government. A lot of money was ploughed into those projects, which were followed by the pathfinder programmes. After that, the Improvement Service took over. The intensity with which we are working on shared services in that area of spend has greatly increased. We will certainly not repeat that work, but we will build on its outcomes, which include 240 business plans that have been prepared or suggested for the whole of Scotland—there are more than 90 in the area in which I am working. We have researched thoroughly which of those plans are most likely to yield particular benefits quickly.

The middle slice is what I call civic infrastructure. That concerns major civic activities to do with the management of all kinds of assets, such as roads and the commitment to maintaining them; the purchase, maintenance and repair of fleet; the whole transport system; and waste management and the environment. We calculated that such activity constitutes about 35 per cent of spend.

The top slice is front-line services. I am not sure that the public in general understand exactly what front-line services are. During the past week, I met all the directors of education and directors of social work in the eight councils. In the coming week, each of them will prepare a paper on the challenges to the front line. Of course, if we are committed to maintaining the front line, which we

will do as much as possible, we have to consider where else we can make savings.

The front line is not static. As the committee knows, I was chairman of Greater Glasgow and Clyde NHS Board for five years. Front-line health services have changed phenomenally during the past five to seven years, and the same is true for education and social work. The extent to which people can work together to develop services is hugely important.

Last night, I had the opportunity to meet all the chairs of national health service boards in Scotland. We highlighted the absolute requirement to be clear about how health services, social services and education services can work together. Just less than half of NHS Greater Glasgow and Clyde's spend is on acute services; the other half is on mental health, mothers and children, and other aspects of community health. Such activity accounts for more than half of the spend, and all of it is intimately related to the social and educational support that is provided in communities. I hope that that gives the committee an idea of the approach that I am taking.

The Convener: Thank you.

Councillor Cook, in your introductory remarks and in your written submission you went to great lengths to tell us what has been achieved in relation to finance and so on. In your submission you also acknowledged that there are difficulties to do with the breakdown of local authority savings and double counting. You said that all 32 councils publish an annual efficiency statement, which is available for audit. What test is applied to efficiency statements, to ensure that figures have been audited and verified? How can we be sure that the figures that we have been given are robust?

Colin Mair (Improvement Service): I will respond. It was agreed at the outset between the Government and Audit Scotland that efficiency statements would be published alongside councils' annual accounts and would be auditable. As far as I am aware, no auditor has challenged figures that have been put forward locally, but I am not sure what priority the issue has in the overall process of considering council statements that are in the public domain.

The Convener: Efficiency statements are available for audit, but no audits have been carried out.

Colin Mair: It was agreed that the statements should be available for audit and that it would be for the audit bodies and local auditors to determine their approach.

The Convener: Would some testing of the claims that are made be useful for you and other

people who are working in the field? Would such audit be of benefit to you?

Colin Mair: The Improvement Service and COSLA undertook a bit of work in partnership on getting an independent body to look at a complete breakdown of the first round of statements, which was in 2006-07. That work highlighted a range of challenges, including the underreporting, rather than the overreporting, of so-called non-cash-releasing aspects of councils' statements, such as productivity and other gains made by councils. As I said, the statements are available for testing, but I am unaware that any to date have been challenged.

10:15

The Convener: I understand the difference between being available for testing and having been tested.

Colin Mair: Of course, departments' and services' various statements on efficiency gains will also be examined by councils' internal audit bodies.

The Convener: I hope that you think that such work is important, given the suggestion made by the Chartered Institute of Public Finance and Accountancy and others that we need proper benchmarking, monitoring and so on to assess the achievements that have been made. I note from the 10 or so attachments that came with COSLA's submission—I am not sure what the environmental lobby will say about that—that a lot is going on and a lot is expected from what is being done. However, of the 24 key shared services projects throughout Scotland that are listed in one of the appendices, only six come with figures for projected savings—ranging from £2.75 million, £3.9 million and £6 million to £200 million in the diagnostic pathway project—with the actual savings that have been set out coming nowhere near those ambitions. Given that, do you understand the concerns of a wide range of expert witnesses who have given evidence to us, including people who run local authorities, CIPFA and others, about the pace of the productivity gains that might be made?

Colin Mair: I will come at the question from one direction, and the other witnesses might approach it from another.

First, I apologise for the environmental destruction that might have been caused in the preparation of our submission. One of the appendices looks not just at Scotland but at the UK and at what is happening internationally, and it appears that all shared services programmes raise issues about the pace at which benefits are achieved. After the business case is produced and the benefits are projected, there is a common time

lag of about five to six years between the initial investment and the realisation of the benefits. As a result, some of the work that is happening at the moment will lead to reported benefits in 2012-13 and 2013-14.

On the £200 million figure that you mentioned, I point out that the framework and methodology of the diagnostic pathway project were adopted by all 32 councils, but the figure represents not realised savings but projections in the transformation plans that individual councils put together on the back of analysing their own operations processes and how they and local partners intend to take forward particular cases. That said, the budget pressures that will be faced will provide a burning platform for councils to drive forward with those transformation strategies.

The Convener: But even though £46 million of savings have been projected for one project, it has had to be abandoned because of £20 million start-up costs and the fact that it would have taken six years to break even.

Councillor Cook: Absolutely. The fact is that councils need to make a judgment about such projects. As I said in my opening remarks, the yardstick is always best value and it might well be that a local authority cannot invest the up-front costs in a particular project or that, in view of all the other pressures that exist, the project's delivery timescale is far too long for it to get where it needs to get to. Local authorities routinely make such judgments not only individually but collectively.

One overseas example is Western Australia, where the authority is finding that, in seeking to join together all support services, the costs are escalating massively. Although there are no equivalent examples back home, some of the tensions in the system are demonstrated in examples such as the north of Scotland local authorities project. Clear benefits can result from such an approach, but there are also up-front costs and tensions, including in terms of delivery.

The Convener: So you accept the criticism on the pace of change—you accept that it is a problem.

Councillor Cook: I would not call it a criticism; I would call it a simple recognition of reality.

The Convener: Fine.

Rory Mair (Convention of Scottish Local Authorities): From COSLA's recent public statements as reported in the press, I think that you know our position on this. If we are told that the pace of change is not quick enough and that we are not doing things that we should be doing, we ask questions such as, "What pace would be quick enough?" and "What should we be doing?"

When we do that, people say, "We can't tell you that." That is the cause of some frustration.

As Councillor Cook outlined—Sir John also alluded to it—we have to make savings in areas where savings can be delivered. There is no point in saying, "Councils are not moving quickly enough on shared services," if a council has to wait seven years to get savings and the investment that it has to make is so huge that it cannot get out of its financial difficulties. As Councillor Cook said, shared services are not an end in themselves. We are pursuing the efficient and effective delivery of services, and sharing services is one way in which we can do that.

The Convener: Are you aware of the evidence on the subject from the David Hume Institute? Has any work been done on whether people in the field should look at Scottish Water—not like for like, but as an example—given the progress that it has made? Have you examined that, Sir John?

Sir John Arbuthnott: Only about 10 days ago, I spoke at a meeting of the Society of Local Authority Chief Executives and Senior Managers—SOLACE. The Scottish Water model was given serious consideration on the day. Obviously, all those who are involved in this work—whether in my review or other reviews—will take on board good exemplars. Indeed, in my work, we are actively looking at exemplars south of the border that are in place or under rapid development. A number of innovations are being introduced south of the border.

I turn to the pace of change. In the first diagram that I drew in a memorandum to myself, I posed the question: what has been the pace of change since 2000? The fact is that the pace has been slow to increase. In my review, we are asking the fundamental questions that the committee is considering: what has been done, where is the low-hanging fruit—I do not like that horrible expression, but it is used to identify gains that can be implemented fairly rapidly—and what practicalities are involved?

I have spoken to all the consultancy companies that took part in the Improvement Service and council advisory planning sessions. We do not need any more bubble diagrams; we have a lot of information, none of which has to be revisited. We simply have to harvest what can be done quickly and in the interests of local authorities and citizens. The question is then how will we do it and how quickly will we see the benefits?

Councillor Cook: For some time, individual local authorities have made a significant drive for efficiencies. In large measure, that work is reflected in the submissions to the committee. I could reel off numerous examples from my authority; our experience is similar to that of other

authorities. In the past, we may not have characterised that work as shared services and we may not have waved the flag strongly enough to signal our success in driving forward efficiencies, but those examples exist nonetheless. We need to understand the local dimension in all of this. Local, small, unilateral examples are part of driving efficiency.

The Convener: To return to my question, what about Scottish Water?

Colin Mair: There has been significant interest in Scottish Water recently, which to some extent reflects how Scottish Water has achieved its transformation. The presentation that was made to local authority chief execs dealt with the unfortunate—or fortunate—legacy that had been left and the rapid progress that has been made. There has been a pay-off from the necessary investments that have been made in the water infrastructure, which in itself has driven efficiency.

The key point that we have taken out of that concerns benchmarking. In driving forward in performance terms, Scottish Water has recurrently stressed the importance of the regulatory function and of the benchmarks that it has compared itself against when driving efficiencies. That is entirely accepted.

We have a common framework for benchmarking, which we developed with the 32 councils, but it now needs to be sharpened and tightened. We are working on that with SOLACE. There is an acceptance that very robust benchmarking against the best in class will be an important mechanism. That is evolving.

The Convener: On the principles that have been outlined, benchmarked and meaningful outcome targets have received some criticism from witnesses in relation to the lack of sufficient drivers in single outcome agreements or in the concordat to make progress. We have discussed figures this morning, but they are not audited, and we cannot establish whether they are robust.

On the point about clear objectives, we have 32 efficiency statements, the Improvement Service, the national shared services board, the efficient government programme, Scotland Excel, the Clyde valley shared services review and the Scottish Futures Trust. How do all those people work together? How can we have confidence in reaching clear objectives if all those organisations are working separately or casually with one another?

Sir John Arbuthnott: My review is a short-life review, which started at the beginning of April, as I have said. I end my evidence-gathering process in the middle of next week. In the following month, I will write the report, which will be presented to the eight commissioning council leaders for

discussion. I am anxious to leave not a precise recipe—I cannot do that in the short period for which I have been working on the review—but a framework to take things forward, not just in the next year or two but in the longer term, too.

The eight local authority areas comprise a third of Scotland in terms of people and about 70 per cent of Scotland's deprivation problems. I hope that the framework will provide a stimulus. All the issues that you have raised about how to get things going and maintain momentum will come out in our discussions during and following the review. The eight authorities will certainly want to know where the value lies and how best to achieve it. In some cases, that will not involve all eight councils, as partnerships already exist between three or four of them. There are also partnerships between Lanarkshire and Ayrshire. I have spoken to representatives of the Ayrshire councils, and they want to be closely involved. We must not forget the regional partners, which are of considerable importance. They are desperately keen to capitalise on the benefits of shared working, joint working, common purchasing policies and other measures as soon as possible.

The funding crisis is actually with us; it is not some way down the line. The sooner that we engage with that and clarify what you have asked—how everything hangs together—the better.

The Convener: Productivity gains are not necessarily a result of the current financial situation. They should have been being made, and they should continue to be made right through and after the recession.

10:30

Sir John Arbuthnott: Absolutely.

Colin Mair: There is a bit about the convener's characterisation that I do not fully agree with.

First, I take it as a relatively good sign that public domain statements of efficiencies have not been challenged. I cannot tell members what audit process is involved—I apologise for that—but I would have thought that if those statements were egregiously wrong, it is highly likely that they would have been challenged.

Secondly, we do not casually interact. We have close working relationships in the local government community and we have worked closely with Sir John Arbuthnott, who has kept us posted about what he has been working on. We have given him all the information that we possess for his review. The interaction has not been casual; rather, it is clear that there is mutual commitment.

Thirdly, much of the focus in the past four or five years has been on how to get local integration of services to achieve better results for citizens and customers. I am afraid that yet another appendix relates to that. The big projects that we have talked about have largely been projects such as myjobscotland and Scotland Excel, which is the procurement hub for 32 councils, in which national aggregation in particular sectors of the public sector has been seen as desirable. However, the big drivers have been how we can get integration at a local level across different parts of the public sector, for example in the care of older people or mental health. That approach delivers efficiencies in service practice and better integrated services and outcomes for customers.

There are two dimensions to the shared services spectrum. The big projects that we have talked about have involved aggregation for the local government sector, but much of the interest of councils, health boards and others has been in driving integration at the local level around customers who use the services.

Mary Mulligan (Linlithgow) (Lab): Good morning. I want to follow up what has been said about shared services. Appendix 3B of the submission from the Convention of Scottish Local Authorities lists examples of the development of shared services by local authorities, whether within the local authority or across public sector bodies. It is clear that other examples will come; I hope that the Clyde valley review will give us more. However, I accept what Councillor Cook said. The drive should be as much about effective and efficient service delivery as it is about simply saving money. That said, we are faced with pressures on the resources that are available to local authorities. What other measures are local authorities considering that will bring about efficiency savings so that the money can be used more effectively elsewhere?

Councillor Cook: That is a pertinent question. We know that we are moving into exceptional financial territory, that burdens are increasing, that pressures will be greater than they have ever been before, and that we are faced with unprecedented challenges at a time when the available resources are declining. We need to bridge the gap. As I have already observed, shared services are one dimension of the efficiency approach to bridging that gap.

There is a whole efficiency agenda out there. It incorporates shared services, much broader business transformation programmes and service reviews. We must be realistic and acknowledge that, in light of local government's significant burdens, we need to consider timescales and the levels of some commitments—I refer to our national commitments. We must also acknowledge

that all those things will not be sufficient to bridge the gap that we face, and that it is likely that, at some point down the line, councils will have to do less than they are currently doing.

Mary Mulligan: So, will it be for councils themselves to decide which services they may no longer provide? Who would then provide those services?

Councillor Cook: Ultimately, local authorities will be governed by the requirements of statute, to a large extent. If services are mandatory, local authorities will have an obligation to continue to provide them. They will need to make judgments about non-mandatory services. The building block is local authorities, and they will need to make those judgments. Wider national commitments, their scale and their timescales will be the subject of on-going discussion with the Scottish Government.

Mary Mulligan: Can you give me an example of services that local authorities might consider no longer delivering?

Councillor Cook: It would be a risky enterprise for me to hazard that today. The matter would need to be considered by the 32 local authorities.

Mary Mulligan: Okay. One of the ways in which local authorities have approached the issue is by looking to the third sector to provide services instead. When is it right for that to happen?

Councillor Cook: That is a matter of judgment for the local authorities. I am not going to pre-empt or gainsay the deliberations of local authority committees that have considered the evidence in relation to such situations. It would be foolhardy of me to endeavour to deduce whether they had made appropriate judgments. Perhaps Rory Mair can add to that.

Rory Mair: We have recently worked with the third sector on the issue. The concern is that, given the financial situation that we are in, we might dump services on the third sector on the basis that that would be cheaper. However, that is not a reason for using the third sector; we should use the third sector when it has the best skills to offer the service that communities need, and it should be properly financed. It should not be a case of getting a service cheaper from the third sector, and we should not put the third sector under the financial pressure that we do not want to be under ourselves. The view is that we must have a rational and sensible discussion with the third sector when it can do the job and that we must make arrangements to enable it to do the job, which means financing it properly. We should not see use of the third sector simply as a way of saving money.

Sir John Arbuthnott: I have tried to be straightforward about exactly what Mary Mulligan encapsulated in her question. Essentially, three factors are involved. The first is cash, which is represented by tax and grant, by transactional income, by the value of resources—what we get from selling our services—and by investment. That is the money that local authorities will have to spend.

The second factor is efficiency in relation to business planning, managing, sharing, resilience, duplication, procurement and purchasing, human resources and training. We have not talked about HR, but the way in which people work is absolutely vital to getting the best out of services.

Thirdly, if you multiply the cash by the efficiency, you get the delivery capability. That is about fulfilling the single outcome agreement requirements, which include—we have to be honest about this—losing as well as winning trends. We have made really good progress in certain areas—the area that I know best is the interface between social support and health. However, we also have losing trends. We are not really winning in relation to alcohol or drugs, so there are areas in which we have not won.

Prioritisation has to come in, which was hinted at in Mary Mulligan's question. There is also the important issue of timescales, which COSLA has raised. If the cash decreases and the efficiency does not increase, the pressure on decision making will increase. Decision making is for not just the local authorities but the Scottish Government and the citizens to whom the local authorities are accountable. My last report was entitled "Putting Citizens First". Whatever we do at this time, we must make absolutely clear to citizens what the options are and engage much more in dialogue with them about those options. Not everything is going to be easy.

I was particularly encouraged when I spoke to the directors of social work, the directors of education and the chairs of the health boards. There is still a lot to be done, but they are willing to look into the future to identify which decisions they are likely to have to take less quickly, perhaps after they have taken other decisions that are more in the public interest. We are undertaking significant consideration of the delivery area of the work.

Mary Mulligan: Discussion must be as open as possible, so that people's priorities are recognised. I was pleased to hear Rory Mair say that we should not contract out services to the third sector just on the basis that doing so will drive down costs. How do you reconcile that view with the position of local authorities such as the City of Edinburgh Council, which has briefed MSPs that it intends to put out to contract all its home care

services simply because the third sector will deliver those more cheaply? The council is just passing the burden on to the third sector.

Rory Mair: I do not know on what basis the City of Edinburgh Council made its decision, so I cannot comment on it. My point is that, if the same service can be provided more cheaply somewhere else, that is fair enough, but we should not always assume that the third sector is a mechanism for delivering cheaper services. The third sector has skills that we need, but those skills need development. It should be treated like any other serious partner in community planning. The arrangement that COSLA and the third sector have recently agreed is that we must seek to deliver that partnership, instead of just using the third sector as a cheaper way of delivering services.

Mary Mulligan: Should local authorities consider responding to the pressures that they face by introducing fees or charges for services, instead of cutting them out altogether or passing them on to someone else?

Rory Mair: COSLA has debated the issue a number of times. The view is that councils must decide the level of fees and charges that they levy—that is one aspect of the cash issue that Sir John raised. In the work that we have done on the economic downturn, most councils have pointed out to us that revenue from the fees that they charge drops off during downturns. Charging additional fees for necessary services may just put more pressure on people who are already suffering because of the downturn. It is not enough to ask whether we can charge for a service. As Sir John said, if we are putting the citizen first, we must ask whether they would expect us to charge more for a service or to impose a new charge at a time when they are already being hit by the effects of the downturn. We need to strike a balance during this period. However, we realise that there is a debate about charging and that we must engage with it.

The Convener: I would like some clarity. Previous evidence indicates that, despite the important work in which you are all involved to improve productivity in the public sector, even if we increase the pace, achieve all our ambition and deliver improvements quickly, that will not be the solution to the overall dip in funding that will take place. Councillor Cook, were you alluding to that when you said that there is pressure today to meet national priorities such as reductions in class sizes and the council tax freeze?

Councillor Cook: My comments reflected the fact that we must use every tool in the armoury to deal with the situation that lies ahead, which will pose unprecedented challenges. We must engage in a discussion with the Scottish Government

about national commitments. Questions about timescales and the extent of those commitments are relevant to the cost and productivity burden that they represent for local authorities. We need to think about those matters, together with all the other issues that we need to consider to bridge the funding gap that we will face.

10:45

Sir John Arbuthnott: Over the next five years and, certainly, the next 10 years, the issues that the convener raised will be at the forefront of local and national politics. In the Clyde valley, local authorities, plus policing, plus all the other things make a gigantic business. If we cannot say that we have pretty well exhausted the efficiencies that we can gain in how we run our business, it will be very difficult to justify any attack on front-line services.

That is not to say that front-line services should not constantly be reviewed. For example, we might change the way that we purchase aid and support for critically sick children with long-term conditions, who may demand something like £250,000 to £300,000 a year in support, but it is obvious that doing that work will remain a priority. Therefore, we must be able to say that we have a very clear idea of the potential savings and that we have made them.

Rory Mair: Some members of COSLA have recently received the advantage of subsidised travel for elderly people and have asked their colleagues whether it is right that every elderly person should receive a subsidy for travel across the length and breadth of Scotland at a time when local authorities might not be able to offer some other services. Such questions will be asked over the next wee while. I am not making policy; I am simply saying that we will be faced with such questions.

Colin Mair: I will pick up on the longer-term context to which Sir John Arbuthnott alluded and the commitment to certain types of outcomes. The Improvement Service's modelling suggests that there will be a sharp dip in public finances across the next four years and then almost certainly a gradual flatlining for a long time. At the same time, if we consider policy and demographically driven growth in Scotland, we see a progressively widening gap between the resource base and the pattern of demand that we have generated. Therefore, over the next four years, the challenge will be not merely to deal with what is in front of our noses—although we will have to do that—but to do it in ways that do not cripple us five or 10 years hence. That will lead people to consider fundamentally not the outcomes that they want to achieve for children or older people but whether existing patterns of services and entitlements are

the most cost-effective ways of achieving those outcomes.

That discussion has already started in local government—between local government and the health service and with our colleagues in the police. I was at the Association of Chief Police Officers in Scotland yesterday and exactly that discussion was going on. There is deep concern that an awful lot of our public spending in Scotland is what we might christen failure expenditure—money that we spend because something has gone wrong. We are beginning to invest in approaches such as early intervention and there is concern that we should not slash that investment at this juncture to protect so-called core services. If we do that, we will pile up demand that it will be expensive to meet in future because we did not address it earlier. The preventive focus that is around now is extremely important but, in previous downturns and recessions, such services have tended to prove the hardest to defend in the general budgetary mêlée that takes place.

John Wilson (Central Scotland) (SNP): As an aside, I must respond to the examples that Rory Mair and Colin Mair used, particularly Rory's comment about elected members—I assume that he was referring to elected members—questioning free transport for the elderly. I will be interested to see how many local elected members start arguing for its removal within their own wards.

Will the witnesses give me a brief definition of best value?

Colin Mair: Best value is the most cost-effective way of achieving an outcome that is locally decided and agreed—I include its agreement with the citizens for whom the outcome is intended.

John Wilson: Are there any other comments on best value?

Councillor Cook: I am content with the definition that you have been given. It is important to recognise that best value is not simply about the cost efficiency that is delivered, because, as Colin Mair suggested, it must also take account of local needs and aspirations. A battery of things goes towards making that up. That is an important point in the context of the efficiencies that we are discussing today. The driver will not always be the bottom line, vital though that is to bridging the gap that we face; there will be other considerations in the judgments that local authorities make.

John Wilson: That leads me to outsourced services and particularly the shared services agenda, which we discussed earlier. Councillor Cook mentioned the delivery of services to local people, but the shared services agenda in the Clyde valley and other parts of Scotland involves looking at how local authorities can come together to deliver services jointly rather than concentrating

on the local delivery of services. We might end up with regionwide delivery of certain services. What impact would that have on local decision-making processes? If the eight local authorities in the Clyde valley consortium decide to contract services jointly, how will the local elected members of those eight authorities interact with the delivery of those services?

Sir John Arbuthnott: Again, that is an important issue. However, the fact that local authorities, whether in my area or in other groupings, begin to think collectively about addressing the future and working together does not mean that the outcome will be what you describe. The local accountability of local authorities is incredibly important, but it is not an all-or-none phenomenon. Some services can be provided by councils or outsourced and provided locally by someone else. They might not be gold-standard services, but they are adequate and absolutely fit for purpose. They do the job—local citizens can interact with them and get the answers to their questions, and normal business can be concluded efficiently. Other services can be delivered to local communities better through the strength, capability and skills of a larger group of councils.

I do not think that we are talking about a lowest-common-denominator approach. We are talking about building on the strengths of eight local authorities—in the Clyde valley example—but keeping a firm eye on the best outcome for local communities. If people have a common telephone number for a back-up service that is provided by and operates across several local authorities, they can get decent answers to their questions from a service that is not provided by their individual local authority.

The issue is complex and multidimensional. We have to think about different levels of service. For example, in the case of mission critical services, local authorities have an absolute responsibility to work with health and other services to provide for people who are at risk and people who require special care. In such cases, local authorities will always want to control exactly what happens because their public responsibility is paramount and they will be held to account if services are inadequate.

That is the mix. Perhaps I have not expressed it very clearly, but I think that you got the gist.

Councillor Cook: I agree with Sir John's comments. It is useful to describe the approach as multidimensional.

On best value, when I mentioned shared services approaches earlier, I was referring to a couple of tests that local authorities use in relation to that. One is to see things from the customer's

point of view. As I said, that is about delivering the best possible basic outcome for the customer and also the best possible customer experience. The ambition is to deliver those services as efficiently as possible. When we talk about efficiency, we are talking about process. The process should be the most efficient process possible. It should be absolutely fit for purpose and it should, if possible, deliver cost efficiencies as well.

Again, pushing the theme of best value, all sorts of considerations are taken into account by local authorities before they decide on a shared services model or any other approach. The need for local diversity is important. The needs of people in Eyemouth, where I live, are different from those of people in Glasgow, which are different from those of people in Elgin. There is a profound understanding of that on the part of local authorities and other service providers. There is a need for clear governance and accountability, which means that there is a need to take advantage of any cross-sectoral opportunities that there might be. There is also a need to understand the changing demographics. All those issues—and many more—come into play in those considerations.

As I said earlier, a small, local and unilateral approach will often be the right one. For example, my local authority has been progressive in terms of its transforming children's services review, which is designed to improve the service that we provide across education, children's services and social work. The outcomes of that review are being considered with interest by other councils. For example, we have created a local network for dealing with children who have additional needs. We have retreated from the big bang, regional approach to that and have gone back to something that is built on localism.

Rory Mair: I take the point about the link between best value and shared services. In the search for best value, councils will have to look across a broader spectrum. One of the reasons why we ended up with a telephone service for trading standards that is located in the Western Isles—if you phone that number, you get through to someone in the Western Isles—was that that created a reasonable amount of jobs there. Those jobs are vital to the place where the service is located because it is located in the Western Isles—creating 10 jobs in Glasgow would not have had the same impact. That shows that people cannot just think about best value within their own council. We find that we now have to say that, if people are going to centralise a service, which brings with it all the problems that are associated with a service not being local, they have to ensure that they get best value out of the place where they decide to centralise that service. Best value, therefore, is a genuinely important consideration.

Colin Mair: Just to reassure John Wilson, who I think was asking about governance at a local level and proper accountability, I should say that no shared service proposal could proceed without individual councils approving it, and because that initiative has been approved by the council, it will be regularly revisited and rescrutinised by that council.

For example, because the shared procurement service is accountable to 32 councils, local elected members are pushy about ensuring that contract aggregation does not completely butcher certain local economies. A challenge mechanism is built right into the heart of the arrangement. The somewhat cumbersome nature of governance devices around shared services partly reflects the desire to retain the link to the local decision-making process that John Wilson was talking about.

John Wilson: I accept the example that was given about the call centre in the Western Isles delivering a service that people from across Scotland can access by telephone. However, many of the services that are provided by local authorities, such as cleaning, education or health care, cannot be offered over the telephone.

With regard to the example that Sir John gave about outsourcing services, the Local Government and Communities Committee recently conducted a brief inquiry into home care services for the elderly. South Lanarkshire Council outsourced services to Domiciliary Care (Scotland), and it was not until "Panorama" gave the situation national prominence that the problems that existed with the delivery of those services were highlighted.

11:00

If we want best value we must ensure that the services that are delivered are suitable and fit for purpose. The question is how we do that in the context of the delivery of services jointly by local authorities. I understand from COSLA's submission that local authorities are providing shared services, but how services are delivered and accountability are paramount if we are to ensure that citizens receive the services that they deserve to receive. It is about trying to ensure that despite financial constraints the customer, citizen or individual gets the service that they are entitled to.

Councillor Cook would not expand on which services he regarded as mandatory. I want to tease that out. What are the sacrosanct services that local authorities must deliver? Health care for the elderly is not regarded as such a service, as we saw in South Lanarkshire.

Colin Mair: Under the statutory framework for councils, councils in Scotland disproportionately

have duties to make arrangements to do things. Education is a good example of an area in which provision has historically been direct—schools and teaching services are overwhelmingly provided directly. However, strictly speaking that is not required by statute. In other words, we could think of other ways of delivering a schools service if we were imaginative enough to do so.

In some areas, leadership on knowledge, understanding and practice lay with people in the third sector, so councils historically bought services from third parties or worked in partnership with them to secure services.

If we consider not just councils but the whole public sector in Scotland and the United Kingdom during the past decade, it is probably true that there have been failures in directly managed services and in outsourced services. In both circumstances, failure comes down to two things: performance management and quality assurance. If services are to be outsourced, performance management and quality assurance processes must be in place. It is equally important to put those processes in place when vital services for people are run in-house. The issue is whether governance structures are robust enough to ensure quality for the citizen and the consumer.

Sir John Arbuthnott: It might help if I say that the group that I am working with, which is considering what might come through—I emphasise that we are still analysing all of that—has been talking recently about the need for criteria. We have identified criteria, which come in pairs. For example, customer outcomes, which are vital for citizens, must be set against affordability. We have also identified delivering efficiency and the capacity to deliver; delivering cash savings, which is important given the future that we face, and employee impact; local delivery needs, which we are talking about now, and sustainability; and political acceptability and risk. All those aspects must go into the mix as we consider the way forward and whether particular services are best shared, best kept to a specific local authority or best provided by someone else.

Bob Doris (Glasgow) (SNP): Much of the discussion has been about the on-going pursuit of efficiency savings. I was struck by comments about how plans to reconfigure services to make efficiency savings can involve up-front expenses and no yield of savings until year 3 or year 4.

The figures for the past four years show that there have been £726 million in efficiency savings. What service reconfiguration or alterations have there been that have involved up-front investment and from which we can expect to receive the fruits of that labour? That is not about the low-hanging fruit that Sir John Arbuthnott talked about; it is

about benefits from changes in service provision or backroom provision that will kick in shortly.

Colin Mair: I will give a couple of examples. Throughout the public sector, significant effort has been made to improve procurement performance. In local government, that has involved creating a collective body for the 32 local councils, Scotland Excel, which has just completed its first year of existence and has already made savings of about £9 million. However, now that the capacity has been put in place, there has been a hard look at where local government's big spend is. That takes us back to the governance question. As has been discussed, care is a major area of spend, with councils procuring well over £1.2 billion of care services annually. Scotland Excel has been asked to consider a relationship with providers in which we are their monopoly purchaser and they are our monopoly providers. The body is to consider whether we have got the relationship right with care providers to achieve efficiency, continuity and effectiveness of outcome. That is a good example of a capacity that has taken time, effort and cost to put in place. Its members will now look for it to start to motor. It has ambitious targets that reach up to £30 million a year.

A second example is the customer first programme, which we have developed. In essence, the aim is much greater efficiency in using modern technologies to allow citizens to access services. Customer first already provides for all the national travel concessions so, personally, I would be alarmed if we did it in. The programme involves the 1.3 million people who receive the older persons travel concession. They are dealt with through one card bureau, one processing system and one procurement of cards—substantial sums of money have been saved. However, there is much greater capacity in the customer first network, so we must exploit it fully. We have made the investments and laid the tracks, so the question is whether we can run the trains on them and get the full benefits from the investment.

Those two measures have taken time, but the capacity is now in place and we have the critical issue of driving that capacity. We should not imagine that we need a new shared services project every year; instead, we must exploit fully the shared capacity that we have created to ensure that the public get a full-value return.

Bob Doris: I asked the question because councils might be reluctant, in the current financial climate, to begin new initiatives that have up-front costs but which will provide a cash or efficiency saving in year 3, 4 or 5. We have heard that we must consider our medium to long-term planning and our investment in future efficiency savings. The tracks must be laid now, despite the economic

downturn. Can you give examples of new ventures by local authorities that will require an outlay in the near future but which might not provide a return for several years?

Sir John Arbuthnott: I return to the cash efficiency and delivery relationship. I am sure that COSLA colleagues and local authorities have considered that in the past, but it now becomes a critical relationship. We cannot envisage the luxury of taking steps that look as though they might be helpful but which are not properly costed and which turn out to be more expensive and do not produce the goods. We must apply strict criteria. I will not go into this in great detail, but we have all heard of the cost of the UK NHS computer system. We cannot afford to do that kind of thing any more. We must make the best use of every pound of public expenditure, and such risk must be clearly tested in the business planning process, which brings us back to the efficiency box that I mentioned.

I totally agree with your point, but I cannot provide any specific examples. After all, I have been doing this for only a couple of months.

Colin Mair: The efficiency and reform fund that was available to the public sector in the past was very useful in providing the venture capital to kick-start certain types of shared services development. However, because of the financial circumstances, that fund will not be available in the future, and we realise that we will need to look hard at other sources of investment. For example, should we bring in private partners, who would provide expertise and capital? I have no doubt that that option will be explored. Should we, quite properly, cash in existing elements of the asset base to fund transformation towards future benefits? Scotland's public sector asset base amounts to around £28 billion and, in seeking investment, we will unquestionably have to look very hard at whether we are fully utilising all those assets and, if not, whether any elements of that asset base can be realised. Your core point is right; some of this work is about investing to save. However, if it is becoming a struggle simply to deliver basic services from day to day, it will prove difficult to liberate that investment. As I say, we have to look hard at our use of assets, occupancy levels and so on and, if we can drive hard enough in that direction, it might provide investment for transformation.

Sir John Arbuthnott: The relationship between local government and Scottish national Government is important here. The tendency in the budget process is to think year on year and to look, for example, at what we will do in 2009-10, 2010-11 and so on. During my five years running NHS Greater Glasgow and Clyde, we had to deal with decisions on issues that were not under our

control such as the reward scheme for consultants, the effect of the European working time directive and the consultant and general practitioners pay scheme. Over five to 10 years, such decisions have a phenomenal impact on health boards' budget processes. As a result, we have to work hand in hand with central Government on calculating the ultimate costs of very important legislative measures that it introduces, which place a burden of responsibility on local authorities or whoever has to deliver them.

Bob Doris: I am trying to get to the bottom of how you plot efficiency savings on a year-on-year basis when much of the strategic planning that Sir John Arbuthnott is involved with will bear fruit only several years down the line. Do we have to change the way in which we work out such savings? For example, certain actions that are taken in 2009-10 might result in efficiency savings, which will, however, not appear on the balance sheet until 2013-14. Is there a better way of accounting for such savings to ensure that local government, COSLA or whoever speaks to the Scottish Government can say, "We are showing 1.4 per cent efficiency savings for this year. They are not top-sliced but according to our forward-thinking exercise we think that they will lead to 3 point whatever per cent savings come 2013-14"? Should you be having that dialogue with Government?

Colin Mair: That is a good point. How benefits are attributed to costs over the years is one of the dilemmas of public accounting; it is often radically unclear and, because we completely lose sight of where something began, people who had nothing to do with the planning can claim credit for the benefit four years down the track. Fear of double counting—of savings being attributed in this year as a projection and then being claimed again in 2013-14 as a realisation—might have led to the agreement between Government and local government that savings must be reported only in the year in which they are achieved and that any projections are the councils' own business and are simply part of the planning system. That may be unduly simplistic as an understanding of investment flows and benefits, but it is a reasonably simple and robust system that eliminates any danger of large-scale double counting.

Capital investments are not monitored in that way; instead, councils track the benefits of an investment against that investment to ensure that the claims that were made at the outset are realised as we go forward. However, for public reporting purposes, we have agreed a much simpler system than that.

11:15

Bob Doris: Efficiency savings may mean shared services. I will give a couple of examples, on which the witnesses may like to comment. In Glasgow, people phone one number to pay their council tax. Could people in East Renfrewshire, Renfrewshire, South Lanarkshire and North Lanarkshire use that same number? Could the office hours during which that number can be phoned be extended, thereby improving the service? Another example is Glasgow City Council's assessors department, which I believe is quite large and powerful. Would you consider clustering assessors departments similarly?

Sir John Arbuthnott: We are already considering what you suggest to make the best use of facilities and to make facilities as easily contactable by the user and as available as possible. That would be one way of satisfying one of the most important service demands, which is the run-of-the-mill things that people want to check—their council tax, registration and all the other things that affect citizens every day. That is a promising area to look at.

Colin Mair: That is right. The customer first programme, to which I alluded, enables citizens to go online and book a special uplift or whatever. Equally, as we have just developed a security framework around the programme, they can carry out online transactions including cash transactions. The programme will be developed once and for all for 32 councils in Scotland, but it will make little sense if its scope remains just the 32 councils. It is capable of linking with a range of other public services and, if there is to be a one-Scotland portal, it might fit into that so that citizens can carry out their transactions with whomever they wish. The technology exists, investments have been made and councils are developing in that direction.

That raises the issue of what it would be best to do regionally—say, in the Clyde valley partnership—and what it would be best to do for the 32 councils or the totality of the public sector. A second example is myjobscotland. All the councils now use that as a single online recruitment portal, although the capacity exists for it to be used by the totality of the public sector.

It is about being ambitious about new technologies. At the same time—this is Sir John's and Councillor Cook's outcome issue—it is about ensuring that people who do not wish to access services in those ways still have the other routes to access their services, through local offices or whatever. Many people do not like doing that over the telephone, and there are people who are digitally excluded or who simply do not wish to transact with their council or a public service online. There are some efficiencies that we could

drive if efficiency was our only issue, but we must qualify that in the light of citizens' preferences to ensure that they continue to get the outcomes that we are committed to getting for them.

Sir John Arbuthnott: There are also generational issues. It is not particularly easy for older people, disabled people and people who are not familiar with communication systems to do things like that; we must be able to service their needs in other ways, otherwise people fall through the net. In such cases, we do not know what their requirements are and we do not meet them, and they continue to fall through the net because they cannot communicate. That is a big issue.

The Convener: There are some good examples with the Department for Work and Pensions. In our casework, people have been supported very well in their inquiries through that department. When you pursue best value, you will also look at the location of services. I mentioned Inverclyde as a very good location for services, with good-value property and rents and a good, flexible workforce.

Sir John Arbuthnott: Inverclyde is a wonderful place.

The Convener: Seriously, with regard to engaging with that agenda, the idea that we can centralise all the services in our cities, and that the mother ship defends itself, is a barrier and a disincentive to getting to where we all want to be.

Alasdair Allan (Western Isles) (SNP): The best place to put offshore call centres is, of course, the Western Isles.

I do not mean to pre-empt Sir John's report but, to raise a point that was mentioned earlier, do you believe that you must touch on the ideological issue of whether councils will, in the future, be providers of services or mere enablers?

Sir John Arbuthnott: I am not sure that I see the point of the question. The work that I am doing with the eight councils relates to the point that the convener made in a light-hearted way, although it is not a light-hearted point.

Every local authority—in the Western Isles, Inverclyde and elsewhere in Scotland—has an enormous obligation to provide the appropriate services for its citizens. Where that can be done locally—we have been through this and we do not need to do so again—it should be. However, I suggest—I hope that the committee agrees—that where the Western Isles can benefit from technological support, or any other type of support, from a neighbouring council, or even from a distance, it would want to capitalise on that. I do not know whether that is what Alasdair Allan was getting at.

Alasdair Allan: I was not thinking specifically of my own area—I just wondered whether, in

entering into the debate, you have to touch on the ideological area of whether in the future councils will provide all services themselves or merely enable others to do so.

Sir John Arbuthnott: We are currently talking about that issue, and it is taken very seriously. Each month I meet the council leaders, who are all thinking, "How will this process affect my local authority and my people? We have a special emphasis on the education of younger children—will that be maintained if a more general approach is taken?" Such questions are regularly batted across the negotiating table, and the final report will have to take them into account.

Colin Mair: The ideological debate tends to polarise around one thing or the other, but councils are already debating those things. We buy in more than a third of all services—through partnerships or whatever—so it is not that anyone is ideologically opposed to the idea of doing that, where it reflects good value and where people have leading-edge skills that we do not have. That is quite right.

I hope that the debate about shared services does not unnecessarily strangle itself by becoming a high-level debate about ideological positions rather than the pragmatic approach that Councillor Cook outlined with regard to how we achieve best value for people in the local area, and—as John Wilson asked—how we ensure that there is robust governance, local decision making and performance management behind that.

Sir John Arbuthnott: I am the president of the Scottish Association for Marine Science, which is based in Dunstaffnage and is part of the university of the Highlands and Islands project. The UHI project has many challenges, but one of its great successes is that it can provide—as Alasdair Allan well knows—local education for citizens in the Western Isles and the north of Scotland through educational services that are channelled from Inverness, Glasgow and a variety of other places. That requires a lot of planning and co-ordination, but when it hangs together it means that someone in the Western Isles can do a proper degree in finance or accountancy with support coming from outside. The service is locally accountable, but it is provided from outside, which shows that that approach works.

Patricia Ferguson (Glasgow Maryhill) (Lab): Good morning. I return to the point that Councillor Cook made to my colleague Mrs Mulligan about mandatory and non-mandatory services, and whether councils would be able to continue to provide those services that it is not mandatory for them to provide. Is that a live debate in local government and COSLA?

Councillor Cook: The reality is that local authorities are making individual decisions on how to cut their cloth—I am sorry; I got the metaphor back to front. They are making decisions on how to cut their coat according to their cloth. They need to make such judgments, and that is exactly what they are doing.

Local authorities have to make judgments about issues such as those that we have just discussed, which are about how we can provide a service most effectively, most cost efficiently and in a way that satisfies local needs and aspirations. I do not think that the discussion is polarised around whether the provision of a service is statutory or discretionary or that there is an assumption, if it is discretionary, that we will not continue to provide it. It is not that kind of discussion.

However, we need to adopt a considered and comprehensive approach to everything that local government is required to do, and judgments need to be made about all the services that it provides. As Colin Mair intimated, some of those services will, on the face of it, be mandatory or statutory services, but there may be aspects of those services that need to be adjusted so that we can address the funding issues that we face.

Rory Mair: The debate that we are having about finances this year and as we look into the future is different from the debate that we have had in the past. We have looked at a three-year spending review timescale, over which there might have been some growth. The point has been made that we are now looking at a 10-year timescale. For the first time, we have to ask what package of services we can sustain over that period. As Sir John Arbuthnott and Colin Mair said, we have to consider how we can ensure that the decisions that we make now do not adversely affect the direction of travel in that 10-year timescale.

That is a new debate for us at COSLA. It is not a debate that we have engaged in every year or every time there has been a spending review, but it is one that we are having now. Leaders must address the general trend over a much longer timescale and how to react to it. The debate has not yet focused on which services we will be able to provide, but we will have to assess every service. Sir John Arbuthnott mentioned the idea of it only ever being possible for a council to reduce a service if it could justify to its community that every other service that it provided was being offered at its maximum efficiency and effectiveness. That is the debate that leaders are dealing with.

Colin Mair: The old debate about whether the provision of a service is statutory is set in the context of the much greater focus on outcomes that now exists, although that is clearly a work in progress. There is a clear acceptance of the importance of early intervention, anti-poverty

measures and programmes such as equally well, and the various agreements around those. Roughly speaking—if we are serious—those are all investments in the same people, the same households and the same communities. Although some of that work is not mandatory, it is critical to the achievement of current and future outcomes. A lot of work around community capacity building and learning and development does not have much of a statutory shell around it, even though interventions in those areas might be key levers for improving the lot of some of the most disadvantaged citizens in Scotland.

As we move forward, we need to ensure that we do not lurch back into a polarised debate in which the provision of a primary school is statutory but investing in the community is not. We should invest where the outcomes need to be achieved instead of having a rather sterile debate about the extent to which the provision of a service is statutory.

Sir John Arbuthnott: Local authorities face a real challenge, because they have to do their budgeting for the coming year and the year after in the here and now. Hopefully, given that they will have been advised by COSLA and influenced by the work of the review, they will take into account the longer-term implications.

I have been looking at the predictions of the Glasgow Centre for Population Health on what the demographic position will be in 10 years. A further complexity is the fact that demand for services will not be constant but will change significantly. That adds up to a very big challenge.

11:30

Patricia Ferguson: I presume therefore that once that debate starts to percolate through it will have to be accompanied by a debate on provision in particular local authorities and on how, given that the demographics and geography in each of the 32 local authorities are different, local services can be tailored to local needs. In that light, is a cross-Scotland council tax freeze sustainable? If so, how much longer will it be sustainable for?

Colin Mair: It is sustainable at the moment because the funding to support the freeze is more or less what councils would have chosen to levy under current circumstances. The point is whether that will continue to be the case. It might be more appropriate to pitch your question to ministers than to local government, because funding is a critical element of the equation. After all, if the support was not available—which is a question for Parliament—no council would have the freeze. The two go hand in hand.

Sir John Arbuthnott: There is an onus on the Scottish Government and the Parliament to adopt

a little bit of the approach that we have just discussed. We should be focusing not on this year alone, but on how the changes that Parliament recommends will impact on delivery, efficiency and effectiveness over the next period and the period after that. That discipline must pervade both local and central Government.

Councillor Cook: Sir John's observation is very helpful. Over the past few years, there has been an agreement between central Government and local government at large on what might be called compensation for the amount by which councils might have increased council tax; in this case, the £70 million is roughly equivalent to a 3.5 per cent rise. Local authorities have clearly made individual judgments on the matter, but the collective judgment has been to agree to the approach.

However, we have to acknowledge that, as time goes by, the adequacy of that compensation will—if I can be rather euphemistic—become a matter of increasing consideration. Given all the pressures that are loaded in the system, local authorities will want to reflect on whether £70 million will continue to be adequate. I have no doubt that the Scottish Government will have a view on the matter.

Rory Mair: Patricia Ferguson's point that some very localised democratic decisions have to be made has come up at COSLA meetings. The question is how long councils will want to deny themselves the opportunity to say to their communities, "Here's what we have to do with our resources under the current council tax levels. Are you prepared to have more local taxation in return for a different level of service?" Obviously, that kind of deal cannot be done with an across-the-board freeze. However, it has been done in the past and council leaders are aware that they might wish to put that question to their community at some point in the future.

Patricia Ferguson: Sir John, I know that you do not want to comment at the moment on the specific findings of your review, but can you tell us whether the lessons to be learned from it are specifically for the eight local authorities in the group that you have examined or will they have an impact on, or something to say to, the local authorities that are not part of the group?

Sir John Arbuthnott: I am not sure what will happen when the review is published, but there has been considerable interest in it. For instance, yesterday, I was invited to speak to Scotland's health board chairmen, precisely because the interface between social support and support through health care in the community is so crucial that everybody will have to think about it. I am sure that I will talk to the Cabinet Secretary for Health and Wellbeing soon, because the review has general implications. SOLACE is interested and I

think that COSLA will want to consider the review and perhaps use it in its planning process.

I am trying to formulate my retirement plans at the moment, so I will be working probably until the end of November when, I hope, somebody else will pick up the baton.

Rory Mair: We have had a couple of meetings with Sir John about the review. We are clear that the review will be reported to COSLA generally. If other councils would find it useful to use principles and practice that are in it, I am sure that they will do that. Equally, I am sure that, when the review is published, the eight councils that are involved will still require support from the Improvement Service. We are not at odds at all. We want to make maximum use of Sir John's review to make progress throughout Scotland. That is how we will use it.

Margaret Mitchell: Good morning, gentlemen. The discussion has focused on two main issues—local integration, which makes perfect sense, and aggregation and shared services. We have discussed balancing the use of shared services with the needs of local diversity. That diversity is why front-line services are sometimes a bit more problematic to share, but we can consider the support or backroom services. When we do so, the first port of call always seems to be services that are provided in all 32 local authorities. To what extent have you considered outsourcing functions such as wages and payroll services, which involve huge overheads for local government and for which a lot of staff are employed? I understand that, south of the border, tremendous savings have been made by outsourcing such work to private companies.

Colin Mair: Councils throughout Scotland have a diversity of arrangements, including in several big areas. For example, Glasgow City Council has a joint-venture partnership with Serco to provide information and asset management services, because the council thinks that that is the most cost-effective approach. To refer to an earlier discussion, I also agree absolutely that having a shared service in the public sector will not always be the best way. In a range of areas, we already outsource services precisely because somebody else can provide them more efficiently and effectively than we can.

There are a range of options for payroll services—several councils have already reviewed those services. That will be an on-going process with councils' basic transaction costs. However, the issue is a good example that we should flag up of the need, as we proceed with the agenda, to be careful that the feedback effects and outcomes are not severe. One issue that will affect councils is single status or equal pay. We have equalised pay, particularly for female employees in councils,

but if one consequence of that is the wholesale massacre of their jobs, it might not be seen as a massive victory for equality. We need to be careful.

In parts of rural and remote rural Scotland and island Scotland, the public sector makes up more than 50 per cent of the total labour market and provides a lot of the good-quality employment. In the Western Isles, outsourcing payroll services to a bank in London might have utterly counterproductive effects on the economy and community. The definition of best value that we started with is that it is the most cost-effective way of achieving outcomes, but we must be clear and careful about the range of outcomes that we are trying to achieve.

Sir John Arbuthnott: I would ask COSLA colleagues whether they agree that, because of the work that the Improvement Service and COSLA have done in the past three to four years, there are now fewer avenues to explore. Most of the possibilities for delivering cost-effective payroll services have been looked at. We do not need to pay consultants yet more money to tell us their ideas.

Margaret Mitchell: That was my next point. In any organisation, its staff is the best and most important asset and is usually the biggest overhead. Given the vast amounts that local authorities have spent on consultancy fees, what assessment—in order to ensure that the director level is fit for purpose—has been made of directors who earn six-figure sums? How will you ensure that local government is not too bloated and how will you make the hard decisions that have to be taken? Going back to the payroll, how will you ensure that we are balancing properly every pound in order to get best value, and that it is not merely a matter of local government protecting itself under the banner of “This could have dreadful consequences for the local community”? At the end of the line, is not the purpose of local government to deliver the best possible services for people?

Councillor Cook: None of us would dispute that last proposition, but I question the evidence base for some of your other assertions. Where do those anecdotes come from?

Margaret Mitchell: I can give you a written answer.

Councillor Cook: I would appreciate that because we do not recognise assertions about extravagant expenditure on consultants or, indeed, about “bloated” organisations. In my local authority—in every one of the 32 local authorities—there is constant reappraisal of such things. As we sit here, a directorate structure review is going on in my authority. We are looking

again at what efficiencies we can deliver in the relationship between technical services and planning and economic development. That sort of activity goes on routinely.

If there were any validity in the assertion that there was “bloated” provision, it would be the first place that we would look to deliver efficiencies. We strive all the time to deliver efficiencies, we have a good track record in doing so and we are absolutely committed to continuing with that. I struggle to identify with some of your description of the nature and context of local government.

Margaret Mitchell: I read the *Official Report* of the round-table discussions on 1 September, in which one of the contributors pointed out that it was relatively easy to make changes at middle-management level, but difficult at director level because of vested interests.

Councillor Cook: I do not accept that. Local authorities are member-run organisations. They make political decisions about the shape of the organisation and they have the power to determine their shape and structure. Do I regard myself as being in that position in my local authority? Absolutely. Do I think that the other 32 local authorities are in that position? Absolutely. They will determine and shape the structure of their authorities. I am sorry, but I just do not accept Margaret Mitchell’s assertion.

Sir John Arbuthnott: May I respond to the question? The responses that have been mentioned are appropriate. Nevertheless, the public sector and public services are under the microscope in a way that they have never been before. We in the public sector and public services have to recognise that. Whether we think that things are done and accounted for properly and can be justified is only part of the answer. We have to convince the public that the public sector ethos of delivering services for the citizen is a truly vital job that is done professionally and monitored in an entirely accountable and appropriate way in relation to recompense, the numbers of people employed, the pension arrangements and all the other things that have been in the press.

11:45

We have to explain better and establish a much better perception of how the public services work and what is meant by “the front line”. I do not think that people understand the complexity that is involved or the professionalism that is brought to bear in delivery of the front line in health, social care and education. The public sector ethos needs to be emphasised.

People who work in the public sector during the next 10 to 15 years will be major instruments of change. They are the people who will ensure that

taxpayers' money—and local citizens' money, in the context of council tax—is being spent in the interests of taxpayers and in the best possible way. We still have some way to go in that regard. I think the purpose of Margaret Mitchell's question was to raise that issue.

Colin Mair: I will make a factual observation. After the reorganisation of local government, when regions and districts were merged into unitary authorities, the average council in Scotland had 15 directors and 30 heads of service. The average council now has four directors and 16 heads of service. At the top end of the organisations the elimination of posts has been staggering—in some cases there might even be capacity issues to do with the level of rationalisation.

If the convener was asking whether there might be other things that we can do in relation to our bureaucratic processes, the answer is that that is evidently the case. Sir John's review and other reviews will highlight such areas. However, the number of directors and heads of service at the top is probably not the issue; there has been a massive cull of directorial posts in Scottish local government and a massive cull of the head of service posts that lay below director level.

Sir John Arbuthnott: When I started working for NHS Greater Glasgow and Clyde there were five separate boards, each of which had a chief executive, a director of finance and a chairman of the board. Each board had meetings, with all the administration that went with that. At the end of the process we had one board, one chief executive, one finance director and one chairman. I suppose that the public in the west of Scotland do not know about that and might not even care about it, but it represents a huge transformation in how people work.

Rory Mair: We still have to work on how we engage with the broader world of consultancy. In Scotland we are not yet good enough at ensuring that work that is done for one council is not paid for again by five or six other councils. Of course, the market has a vested interest in ensuring that work is recycled and not redone from scratch. We must be disciplined about knowing what work is being commissioned from consultants and about writing into contracts that local government can use the work for a variety of applications, instead of letting work remain in the ownership of the consultancy, which then does not have to do much more to make it available to another council.

We must also be careful about the cachet that is attached to what a big consultancy says—I know that leaders are concerned about that. If a big consultancy says something about local government, the only way local government can defend itself is by getting another big consultancy to say, "That's not the case." That is partly

because the press and others place such primacy on what is said in the consultancy world. We know a lot about local government, so we must be confident about that and project a positive image, which must be backed up by facts.

Margaret Mitchell: The voluntary sector is worried that as a result of the ending of ring fencing of local government funding there has been a propensity to take services away from the voluntary sector and to subsume them into local authorities. The third sector not only has expertise and flexibility but can provide value for money, which is very much in tune with what local people need and want. Will you comment on that? It is a serious issue throughout Scotland.

Sir John Arbuthnott: I am happy to take that matter up, because I am concerned about the issue. I am a trustee of the Lloyds TSB Foundation for Scotland, which is a charitable organisation that distributes the largest amount of grant-aid support to voluntary organisations in Scotland, to the tune of about £10 million per year. The banking crisis and various other things are putting a huge strain on that. What I see from applications is that voluntary sector groups, which do incredible work in their communities, are finding it increasingly difficult to put together the funding packages that they need in order to deliver the care or support that they provide. I think that that situation is going to become critical quite soon. I am not sure what can be done about that, because the pressure will be—as is already emerging in some local authorities to which I have spoken—that an organisation's particular voluntary project will depend more and more heavily for support on the local authority; it will become almost local authority provision, because organisations cannot get the money from anywhere else. However, local authorities cannot afford to take that on. We need to look at that situation, because the voluntary sector is huge: it involves tens of thousands of citizens who work in it and many individual efforts to raise money, which it will be very difficult to do through the credit crunch.

Colin Mair: I endorse a lot of what Sir John Arbuthnott said. It would be useful to do two things, the first of which is within the general ambit of the third sector, which includes truly voluntary organisations and bodies such as the body on whose board I sit, which is a not-for-profit organisation with a £70 million turnover. It is not the same as a voluntary organisation, because all our staff are, for regulatory and other reasons, fully paid professionals. The issue in respect of local volunteering is partly about streamlining processes for voluntary organisations. It has been made incredibly laborious to access funding, so we have to employ officers to manage the very laborious systems that have been set up.

Secondly, we have taught people to think that the issue is always budgets, but it is often about resources; for example, it is about the ability to access adapted transport when it is needed. Not every voluntary organisation has to buy its own bus with its own logo on it—they can use a council community transport van, if that is the most convenient option. We must become more imaginative than we have been in the past. I take Sir John Arbuthnott's point that, as councils and other public bodies that have given money to voluntary organisations run into difficulties, we must ensure that the first chop is not necessarily on the value that is added through the voluntary sector. However, elected members in councils are attuned to that, because they are often passionately committed to their local voluntary associations.

John Wilson: Before I ask the question that I intended to ask, I have one that arises from the replies to Margaret Mitchell's point on consultancy fees. I know of a local authority in Central Scotland that has had very high consultancy fees—as much as £17 million over two years. Will the COSLA representatives go back and look at that situation, which is a genuine concern, given that we hear talk about local authorities having experts? Sir John Arbuthnott mentioned the public servants who deliver services, but then we hear about having to outsource to the level of the consultancy fees that I described. I wonder whether the Improvement Service also comes into that category in terms of the services that it delivers to local authorities and elected members throughout Scotland.

What discussion has there been among local authority representatives in COSLA and the Clyde valley community planning partnership about redrawing local authority boundaries? Given that we are talking about shared services, has there been any discussion about the size of local authorities and whether it would be more efficient, through having greater economies of scale, to join forces to deliver particular services, such as education and social work?

Sir John Arbuthnott: I feel an obligation to answer that question. The report that I wrote, "Putting Citizens First", specifically addressed that issue in 2006. I left behind a blueprint and, as you know, my motivation was to link the size of the Scottish Parliament—in terms of the number of seats—to what was happening to the size of the Scottish representation at UK level in Westminster, and also to link it to the effectiveness of representation in local communities, through local authorities, wards and so on.

We considered what would have to be done to the size of the new constituencies or local authorities if their number was reduced from 32 to

10, while maintaining an appropriate element of local representation. Just to lump things together because it appears more administratively convenient to do so is not acceptable, to my way of thinking. We have to consider on what basis, constitutionally, local authority boundaries are drawn, and the likely impact on local representation and the size and shape of constituencies that would make up the Scottish Parliament. That is a big issue, and I suggest that you go back and read "Putting Citizens First".

In terms of my review, I do not think that this is the appropriate time to discuss changing boundaries—I acknowledge that there has been some discussion of the idea. We are talking about eight independent, locally elected authorities in the Clyde valley area dealing with issues going into the future. Whether, in time, Scotland again reviews its constitutional boundary structure and what that means electorally is another issue, but it is not simply a matter of apparent convenience, lumping people together to get better value. Local representation is a fundamental issue.

Councillor Cook: I entirely agree with Sir John's observations. Always underlying the proposition that the number of local authorities should be reduced is an assumption that that will deliver more efficient, more effective services from the point of view of the customer, yet the evidence has not been garnered in that regard—the proposition has not been established.

In the discussion within COSLA, there is an understanding, in the light of comments by the Cabinet Secretary for Finance and Sustainable Growth, that the reshaping of local authorities is not a live issue at present. However, there is also an understanding—this was hinted at in what we have said before—that we need to use every tool in the armoury to address the efficiency implications of the financial context in which we find ourselves. Questions arise as to how the public sector can be reformed so that its various parts work together more effectively and efficiently to deliver efficiencies.

The solutions absolutely need to be evidence based so that we can examine them and local authorities can reflect on them. Other partners should be able to reflect on them, too, and make judgments about how to deliver best value from our perspective as well as benefits and advantages from theirs.

Colin Mair: I will be tediously factual yet again, if I may. From the early 1960s, we have gone from more than 200 elected councils to 32, through successive cullings, each one of which was argued for entirely on the ground of efficiency—they were almost nothing to do with the quality of local representation or anything else. We have already gone down a route that makes us—for a

country that is committed to greater subsidiarity—peculiarly denuded in terms of institutions of local democracy compared with the rest of western Europe.

To take the example of education, 90 per cent of the money is with the schools, and 10 per cent of the education budget is largely for curriculum development, quality assurance and so on. People are exploring how to develop shared services. Does everybody need to work on each bit of every curricular change that takes place? Can the different pieces of work be grouped better? There are very good working relationships with the Scottish Government on attempts to achieve economies of scale and on doing developmental work in education. I simply say that you should be careful. It is not evident to me that, with 90 per cent of the money out in the schools, there is a massive sum that you might somehow get by shooting some directors.

It should also be noted that councils vary in how social work, health and education are integrated. If we start to unscramble things, they might come apart. That is not a defence—there are plenty of issues to consider—but it is a track that we have already gone down without much reflection over 40 years.

12:00

John Wilson: I wish to respond to the comments that were made earlier about efficiencies in local government, in particular in relation to single status and equal pay. We are now 10 years on from the introduction of single status and equal pay in 1999, but local authorities still face problems getting single status and equal pay settlements. How should we as politicians view a situation that has been allowed to drag on for 10 years without being resolved and which could, because of the way in which some settlements have been reached by local authorities, create other problems? How do we get ourselves out of the quagmire that we seem to be in regarding single status and equal pay?

Councillor Cook: There possibly was a question tacked on to the end of that, but that was largely an observation. Plainly, we have given your committee evidence on those issues on previous occasions. All but six local authorities in Scotland have single status settlements in position. There are no doubt residual issues to be dealt with, and local authorities will continue to be engaged in making individual judgments about how to respond to equal pay issues. I know that those authorities that have not implemented single status at this juncture are doing everything that they can to proceed with that agenda and to implement single status.

The Convener: I do not intend to open up that debate. We are aware of your previous evidence. However, John Wilson expresses the frustration and disappointment of the committee. We took evidence and we made recommendations. We expected responses from COSLA, and we are very disappointed that, even at this stage—a week away from a debate in the Scottish Parliament, with three committees having reported on the matter—we have still not had a response. I will leave you with that. However, I do not want an extended discussion on it this morning.

I wish to ask a final, general question regarding the big, headline challenge that faces us, which was raised in the round-table discussion that the committee held with a number of people with an interest and expertise in local government over many years. Although it was acknowledged at the time that the evidence was challenging for some people in local government to hear, we should remember that everyone round the table was committed, they assured us, to the local government and public service ethos. They are supporters; they are not negative about it. They discounted, for instance, the evidence from the Confederation of British Industry, which offered a one-club approach—that it would be all right to privatise anything and everything. The round-table participants criticised that evidence, but I wish to give you the opportunity to respond to their criticisms.

The big challenges were acknowledged and faced. Professor Kerley expressed concern that we might revert to type. We have had some of that. The voluntary sector will blame local government—"If only they would give us more money." Local government will blame the Scottish Government—"If only they would give us more money." The Scottish Government, in turn, will complain that everything would be all right if only it got more money from the UK Government. Professor Kerley was concerned that we should avoid that trap.

Professor Alexander and others questioned whether local government has the capability, skills, motivation and incentives to drive the agenda forward. We have heard some of that concern this morning. At the round-table, we also heard that local authorities have to be learning organisations and that the culture of change has to come from within. If we are using consultants and other bodies to drive the agenda, is that a problem?

I suppose that the picture from the round-table participants was a negative one. They wished local government well, but they asked the hard questions about motivation, incentivisation and the will to create the change. Do you believe that we are at a stage where all those things are in place to drive the agenda forward?

Rory Mair: Over the past few years, COSLA has not noted a reversion to type. We have heard local authorities say, "These are the resources that we have. We've now got to use them to deliver a package of services to local communities that will meet local needs." The blame game, where we tell communities that we are not to blame but somebody else is, is not the approach that we are going to adopt. We have explicitly said that that is not how we are going to behave. Leaders have said that up front and they will be held to the public statements that they have made.

It is difficult for us to comment on what others have said about local government, but I suspect that the council leaders' view of some of the experts whom you mentioned would be that we should not take everything they said at face value.

The Convener: That is why I asked the question. I am giving you an opportunity to rebut what they said.

Rory Mair: The motivation is the one that Councillor Cook outlined. We expect decreasing levels of resources over the next period, which we now recognise will be quite long term, and we have to get to grips with the difficult decisions that will allow us to make good provision for local communities throughout that period. I do not see any lack of motivation to do that or any sacred cows whereby we cannot go to senior officers or talk about shared services. That might have been true when Alan Alexander was doing consultancy work with local government some years ago, but it ain't true now. If he is referring to that time, his assumptions about local government are out of date.

Colin Mair: I am going to mention two people who were my predecessors in a particular university chair in Scotland, so I do so with some affection. On Richard Kerley's point about whether we might revert to type, I have heard him speak at conferences and I think that his point is that there is a danger that we would do that. I do not think that he was saying that it is inevitable. Indeed, the awareness of that danger seems to be higher this time.

I work with a group of chief constables, local authority chief executives, NHS chief executives and fire chiefs, and one of the reasons for that group is precisely to hold together how we plan ahead at a time when everybody is operating under financial stress. We want to ensure that we do not just go back into our small corners but keep a partnership going around integration and service development. I am optimistic about that. If you consider what happened in the past few weeks with the budget and so on, there has been little of the acrimony that has perhaps characterised the relationship between national and local government hitherto.

On Alan Alexander's points about capability and incentivisation, he is driven by his experiences at West of Scotland Water and then Scottish Water. The issues that he raises are therefore of the brutalist school of motivation, which suggests that people are motivated only when their environment contains enough threats and intimidation to make them bothered to move forward. I have a slightly more positive view of human nature. The challenge of where we are moving in financial terms is well understood by everybody I work with, whether they are elected members, chief executives, senior officers or members of staff.

Since devolution, we have had 5 per cent growth per annum—I think that that is the Government's figure—and I would agree that there is a danger of complacency in such circumstances. It may be that we would have addressed things earlier if we had not been getting 5 per cent growth per annum.

As a final act in my contribution, I draw your attention to the final appendix in our submission—it is a short one. The Parliament and Government got used to 5 per cent growth per annum and, in Scotland, we got used to awarding ourselves new developments. However, now that that annual growth has come to an end, we are all having to take stock and reflect on how we hard focus and what the fundamental outcomes are that we need to achieve. Alan Alexander's assumption is pessimistic, but I give you an optimistic one that there are institutions and mechanisms in place to stop things falling apart.

The Convener: So no regulation is required.

Colin Mair: There is regulation.

The Convener: Alan Alexander argues for greater regulation.

Colin Mair: That reflects his time in the Accounts Commission.

The Convener: He would say that his approach, which you describe as brutalist, is necessary. When will it become necessary? When will we politicians be in a position to decide whether your optimistic view of events holds? When can we expect to evaluate it and say, "Colin Mair was right. Get him in for a drink," or, "Get the firing squad out"?

Colin Mair: You should do that year on year. Inspectorial and audit bodies produce a vast amount of data, much of which addresses best value. We are moving into the next cycle of best-value audits, which will examine partnership, not merely the internal workings of local authorities.

The Convener: When would it be fair to judge your optimistic view—in three years, two years or one year?

Colin Mair: If, in a year, we have abandoned the shared services and service integration that we are developing now and all the major public agencies have gone back into their corners, I will have been shown to be entirely wrong and you should judge me harshly for it.

Sir John Arbuthnott: As an independent person coming into this scene for a relatively short period, I am obviously aware of some of the comments that have been made and I must satisfy myself that the capability to deliver exists.

No organisation, either public or private, can ever sit on its laurels. One of the greatest challenges in the health service is to train the leaders of tomorrow. In the public sector, we must do much more to enhance our potential to develop the leaders of tomorrow who will be at the forefront of change. The next 10 years will require those skills, and we cannot assume that they are all available. The ways of working that have operated in the past cannot necessarily be accepted into the future. Therefore, we must understand and accept that the development of the whole workforce will be essential. We must work with the workforce and its representatives to ensure that that is fully understood. We need a big programme of development of capability, leadership and skills. If that is not put into place effectively, the challenge will be even greater.

The glue that holds the eight councils in the Clyde valley community planning partnership together is their recognition of the UK national debt position and what that means for the whole country, including the public service. They have to be able to deal with it and must have the skills to do that come what may, with the assistance of whoever. Therefore, the responsibility and onus on the public sector will be enormous and the sector will remain under the microscope.

The Convener: Thank you for attending. The evidence that you provided is appreciated as always.

Subordinate Legislation

Ethical Standards in Public Life etc (Scotland) Act 2000 (Devolved Public Bodies) Order 2009 (SSI 2009/286)

Ethical Standards in Public Life etc (Scotland) Act 2000 (Codes of Conduct for Members of certain Scottish Public Authorities) Amendment Order 2009 (SSI 2009/287)

12:14

The Convener: Item 2 is consideration of two negative instruments. The committee members have received copies of the two orders and have raised no concerns. No motions to annul have been lodged. The Subordinate Legislation Committee considered the orders and raised no concerns on them on any grounds that are within its remit. Does the committee agree not to make any recommendations to the Parliament on either order?

Members indicated agreement.

Decision on Taking Business in Private

12:15

The Convener: We now move to item 3, which, as previously agreed, is in private—no, I apologise; I was rushing. I ask the committee to agree that its consideration of the evidence heard and the draft report on the draft budget 2010-11 should be taken in private at future meetings.

Members indicated agreement.

The Convener: I remind members that the committee has agreed to take item 4—not item 3—in private.

12:15

Meeting continued in private until 12:37.

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