

LOCAL GOVERNMENT AND TRANSPORT COMMITTEE

Tuesday 16 March 2004
(*Afternoon*)

Session 2

£5.00

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LOCAL GOVERNMENT AND TRANSPORT COMMITTEE

8th Meeting 2004, Session 2

CONVENER

*Bristow Muldoon (Livingston) (Lab)

DEPUTY CONVENER

Mr Andrew Welsh (Angus) (SNP)

COMMITTEE MEMBERS

*Dr Sylvia Jackson (Stirling) (Lab)
*Mr Bruce McFee (West of Scotland) (SNP)
*Michael McMahon (Hamilton North and Bellshill) (Lab)
*Paul Martin (Glasgow Springburn) (Lab)
*David Mundell (South of Scotland) (Con)
*Tommy Sheridan (Glasgow) (SSP)
*Iain Smith (North East Fife) (LD)

COMMITTEE SUBSTITUTES

Bill Butler (Glasgow Anniesland) (Lab)
Colin Fox (Lothians) (SSP)
Mr Kenny MacAskill (Lothians) (SNP)
Mr Brian Monteith (Mid Scotland and Fife) (Con)
John Farquhar Munro (Ross, Skye and Inverness West) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Hugh Murdoch (Society of Chief Officers of Transportation in Scotland)
Arthur Nicholls (Society of Chief Officers of Transportation in Scotland)

CLERK TO THE COMMITTEE

Eugene Windsor

SENIOR ASSISTANT CLERK

Alastair Macfie

ASSISTANT CLERK

Euan Donald

LOCATION

Committee Room 3

Scottish Parliament

Local Government and Transport Committee

Tuesday 16 March 2004

(Afternoon)

[THE CONVENER *opened the meeting at 14:08*]

Subordinate Legislation

The Convener (Bristow Muldoon): I open the Local Government and Transport Committee's meeting and welcome the guests who are here to give evidence—Arthur Nicholls and Hugh Murdoch from the Society of Chief Officers of Transportation in Scotland. Before we take evidence, we have another agenda item to deal with, so I ask the witnesses to bear with us.

Motorways Traffic (Scotland) Amendment Regulations 2004 (SSI 2004/53)

The Convener: Agenda item 1 is two items of subordinate legislation. On the first instrument, no members have lodged a motion for annulment and the Subordinate Legislation Committee has made no points. Are members content that we have nothing to report?

Members indicated agreement.

A1 (East of Haddington to Dunbar) Special Road Regulations 2004 (SSI 2004/54)

The Convener: No members have lodged a motion for annulment and the Subordinate Legislation Committee has made no points about the regulations. Do members agree that they have nothing to report?

Members indicated agreement.

Budget Process 2005-06

14:09

The Convener: Agenda item 2 is evidence for the budget process 2005-06. Members who were involved in the budget process last year will recall that we wanted to go into more detail on how the budget relates to non-trunk road maintenance, which is an issue that the Society of Chief Officers of Transportation in Scotland has raised in the past year or two. That is why we have invited our guests today. Before we ask Arthur Nicholls and Hugh Murdoch questions, I invite them to give an introduction.

Arthur Nicholls (Society of Chief Officers of Transportation in Scotland): I will not say a great deal. On behalf of SCOTS, I thank the committee for the invitation to give a SCOTS perspective on the complicated problem that is the funding of road management and maintenance. As requested in the committee's invitation letter, we have focused our attention on four subjects, one of which is the arrangements for central and local government to allocate funding to non-trunk roads. We have considered trends in capital and revenue funding. If members want, we can speak a little about the SCOTS submission to the Convention of Scottish Local Authorities on the spending review. I am sure that we will also talk about the extent of the backlog and how we go about addressing it. I will say no more than that.

David Mundell (South of Scotland) (Con): I do not know whether you have seen the information about grant-aided expenditure that we have received, which was collated by the Scottish Parliament information centre. That information shows that some councils spend well above GAE on local road maintenance, whereas others spend well below it. What should we read into that? Is funding mistargeted? Is that something to do with spending patterns or are there other local reasons for those variations?

Arthur Nicholls: A couple of issues are involved. One is a democratic issue and the other is about the adequacy of the allocation or the assumption behind the allocation. The democratic aspect relates to the fact that the funding is not ring fenced. As local government faces a fixed pot, it must make a decision that is based on varied local circumstances.

What bedevils us as officers who make the case for road maintenance and transportation in general is the fact that we do not have enough information to make a sufficiently robust argument. As a result, we tend to fall back on the GAE indicators, which are often a source of conflict between central and

local government, especially if central Government says that local government is not spending its allocation.

We must understand that the GAE indicators assume that the 32 councils have roads networks that are in a similar condition and that, if all the GAE is spent, that sum roughly represents a pot that will do the job. The problem is that we have 32 roads authorities with 32 local roads networks, some of which have had underinvestment and some of which have had over-investment. Not everybody is at the same starting point, so it is hard to make a direct comparison of the GAE numbers. We quickly come unstuck in doing that, because the basis of award is flawed.

David Mundell: Where should the methodology go?

Arthur Nicholls: The methodology must move on to an asset-management model. Our society's national campaign through the road condition survey is not an end in itself. It is a tool in the asset-management toolbox that will give us a pretty consistent indication of the condition of our roads network, so we will see over time whether it is improving or becoming a little worse. That will take time and will involve a longer game plan.

However—and this really is the missing link—we do not have enough information about what constitutes the roads network. We do not even have a sense of what the roads network is for, nationally. There is no link between transportation policies and the funding that is allocated to them. There are pieces of a jigsaw lying around, but the picture is not joined up, so we must go down an asset-management route.

14:15

The Convener: Different councils will argue that the GAE formulas favour certain service areas or even whole policy areas. There seem to be graphic differences with regard to decisions taken at a local level. Some councils, including Glasgow City Council and the City of Edinburgh Council, have been spending considerably more than their GAE—their expenditure per kilometre of road can be anything up to 10 times that of Highland Council, for example. I appreciate that wear and tear on roads in Glasgow and Edinburgh will be considerably more than that on a road in the Highlands. However, even if we compare geographically similar local authority areas, we might still find differences. For example, Falkirk Council's expenditure might be well below GAE, whereas West Lothian Council, the neighbouring authority, might be spending above GAE. Even similarly sized authorities in similar geographical areas do not seem to have consistency in their expenditure decisions.

Arthur Nicholls: That is a fair point, which comes back to the democratic element. What is the weighted importance for the council members of transportation as against education or care, for example? Political assumptions are made and there is no compulsion to spend the amounts concerned. As officers, we are trying to get a methodology together that would provide for fairly robust options to be put to elected members. That would allow for a better-informed debate. The current debate has tended to be ill informed: if education or care is being considered against transportation, transportation will tend to lose out, unless the argument is compelling—that is just the way things are. In order to redress that, we need a more sophisticated argument. That is the route that SCOTS is going down, beginning with the road condition survey.

Iain Smith (North East Fife) (LD): I would like to know more about the table that has been provided. When we compare the expenditure of different authorities, are we always examining the same thing? Does every authority define its expenditure on roads maintenance in the same way? Do some authorities capitalise large amounts of expenditure? Do the data show only some of the expenditure on winter local road maintenance, for example? I just want to get an idea of how useful the table is as a comparator.

Hugh Murdoch (Society of Chief Officers of Transportation in Scotland): That is an important point. Not all authorities develop their programmes of works and the way in which they intend to spend money in a given year in the same way. That tends to depend on how our directors of finance see things at a given time. Budgetary pressures in some areas mean that works that could be considered to prolong the life of the asset are viewed as capital-type works, which are not picked up in the area of expenditure.

The table forms only part of the picture. It identifies what may be considered as what is necessary to maintain the network, but it does not pick up on how authorities might have to allocate additional moneys for emergency and winter maintenance, which is another part of the GAE allocation that might be underfunded in a given area. In such cases, the authority might be borrowing from one pot in order to finance emergency cover from another pot. You would have to look at the overall spend on roads to be able to say whether, as a whole, the expenditure is balanced out from year to year across the authorities. Obviously, climate conditions on the east coast are different from those on the west coast.

The Convener: Do you have a feel for what the split is between capital and revenue expenditure, on average, across local authorities?

Hugh Murdoch: We have been gathering information from the local authorities in Scotland to enable us to compile a picture for the committee. Expenditure trends over the five-year period from 1998-99 to 2002-03 show that revenue expenditure rose from about £210 million to £260 million while capital expenditure rose from around £55 million to £62 million. That is an increase of about 20 per cent in one area and an increase of about 11 per cent in the other. It is difficult to quantify exactly what every authority is doing and how they head up improvements in those areas, but around half the capital expenditure would be on improving the condition of the asset as a whole.

Iain Smith: In your estimate, is current expenditure on non-winter local roads maintenance by local authorities—whether in revenue or capital—less or more than is required to start to address some of the backlog of repairs?

Arthur Nicholls: In national terms, it is less than is required, although obviously the picture varies between individual authorities.

The whole issue of the backlog is a vexed one. We are talking about a backlog of about £1.5 billion of expenditure, including on repairs to the road surface and associated infrastructure. Looking just at the roads repairs—not at drainage, signs and all the paraphernalia that goes with a roads network—we have focused in on the figure of about £900 million. However, we are conscious that that is not an exact figure and so we are working at both a Scottish and a United Kingdom level to get a more robust methodology and an agreed definition of backlog. One of the things that bedevil us, as professionals, is the fact that we do not have a common definition of backlog. The politicians like that because, whichever camp they are in, they can pick us off. We really need to get our act together and the road condition survey is the first step along that route.

Iain Smith: I accept that you might not have definitive figures with you today, but roughly what is the shortfall in what is needed just to maintain the status quo and to make the backlog no worse? Roughly how much is needed for that per annum?

Hugh Murdoch: We would perhaps look at the level of expenditure on trunk roads. Most of us would consider that trunk road conditions throughout Scotland remain constant over many years. The level of investment in trunk roads is about right. Roughly 39 per cent of the investment in road maintenance, in any given year, is expenditure on trunk roads and roughly 61 per cent is expenditure on local roads. The split in terms of kilometres shows that only 6 per cent of the network is trunk roads, whereas 94 per cent is local roads. However, about 37 per cent of the vehicle kilometres that are driven over the network

are driven on trunk roads, with the remainder being driven on local roads.

Looking at the vehicle kilometre figures, you could argue that the expenditure on trunk roads is about right, although colleagues might have a different view and argue for greater investment. However, if we had an increase in local authority spending based on vehicle kilometres, we would need an increase in either capital or revenue expenditure. That would allow us to maintain constant conditions. However, because the roads are used differently, the condition of trunk roads has not deteriorated as badly as the condition of local roads has. Because of the base position from which we started, the rapid deterioration of the network is more acute on local roads than on trunk roads. That is why the backlog has to be addressed over perhaps a decade or 15 years.

The Convener: People who have travelled along the M8 in the past 10 years might disagree with you, but never mind.

Michael McMahon (Hamilton North and Bellshill) (Lab): You touched on a subject that has been a concern of the committee for some time—ring fencing and the balance between local democracy and central control. You also mentioned asset management. Would ring fencing help to address some of the issues that you have raised or would an asset-management model remove the need to consider ring fencing?

Arthur Nicholls: Ring fencing would not help. On a national as well as a local basis, one has to decide what one wants from the transportation network. The roads network underpins most of the transportation initiative—without it, things do not run. It would be far better to focus on outcomes and on having a level of funding that is associated with the need of the asset. To apply artificial ring fencing would not be so effective, because one would still need to back up the level of ring fencing with an argument along the lines of, “For this length of road and national asset, we need to think about managing it in a certain way.”

We do not have techniques such as resource accounting and budgeting for our roads network. It has been agreed that that approach will be used in England and Wales for 2006; it will also be used in Northern Ireland and by the Scottish Executive department that is responsible for trunk road and motorway work. Only local government does not use it. From the public’s perspective, we have no way of checking whether the local authority is looking after the asset that it governs.

Michael McMahon: I accept your argument about outcomes—we should be moving towards that position on a range of local government issues. The follow-on question is: Who sets the outcome and who determines whether the

outcome is acceptable? That is another problem of the balance between central determination and local democracy.

Hugh Murdoch: We have a clear responsibility to work within the wider framework of Government and community planning. It is arguable that the community should have an input in relation to the level of service that it wants from its transport network. That might differ throughout Scotland, but at the moment we are not engaging with local communities on what they want from the network. We also need to look at what we want in relation to congestion. Asset management is not only about looking at the condition of the network; it is about considering what we want out of the network as a whole and where we want to make investment. It is about looking slightly differently at the balance of revenue and capital.

I use the analogy of bridges, which represent one area in which we have progressed on a more concentrated asset-management basis. Not all bridges have to carry 40-tonne vehicles. One might accept, given the nature of the structure, that it is acceptable to have a weight limit on the bridge or a culvert, because there are other means of access, we can keep the traffic localised and there are environmental benefits from not allowing heavy goods vehicles to use it. That is how we should look at what the community wants from that asset. We must move towards a more outcome-based specification of what the community wants from the network as a whole and try to deliver that over a period of years.

Michael McMahon: Are you confident that you would be able to determine what local communities are looking for from that type of discussion? Would such discussions be determined by the strongest voices, so that the organised groups that do not support extending the roads network are more likely to be heard than the general public, who are a disparate group and might have a more vague idea of what is required in a local area? How could you balance the information coming from those two sources in order to make a decision?

14:30

Hugh Murdoch: Irrespective of whether you want to improve the roads network, the rail network or any other part of the transport infrastructure, everyone has a different view about how any improvement will affect them. From work that most local authorities have done, it is evident that there is discontent among communities about the condition of the roads network. Furthermore, because of the difficulties that people have in understanding which roads are trunk roads and which are local roads, the local authorities are

seen to be to blame, irrespective of who is responsible for any given road.

Arthur Nicholls: For good reasons, local authorities go about the process of local consultation in various ways. To follow up on the point that Hugh Murdoch made, I should say that there is no national mechanism that would allow us to balance the local picture against the national picture. We can debate the issue at a political level, but there is no systematic assessment of how the plans add up at the local level and the national level. Every council prepares a local transport strategy. Those documents are based on local need and are aggregated by the Scottish Executive. However, until recently, that was not done in the context of any national policy.

The debate is similar to that around planning. At what stage does a planning application have national significance as opposed to local significance? The planning debate is more advanced than the one that we are discussing just now, but we need to think about the transportation debate, particularly with regard to roads, in a similar way. There must be a mechanism that can capture the local issues and ensure that they are debated on a national stage.

Tommy Sheridan (Glasgow) (SSP): Earlier, you seemed to question the usefulness of the GAE figures in terms of their relevance to the backlog and what is required on the ground. Is it your contention that those figures do not tell us much? If it is, when will we get to a point at which this committee, on behalf of Scotland, can get more of a handle on the question whether the backlog is £900 million or £1.5 billion?

Arthur Nicholls: Professionally, we do not think that the GAE system adds up. It is based on a range of indicators that do not take account of local conditions, although those conditions are paramount. The advantage of the system is that people understand it, which means that we can have a debate around it. However, if we are trying to get to the facts of the matter, the GAE system can get in the way. People get hung up on the GAE numbers, even though those numbers do not tell us anything about the roads network.

You asked how long it will take us to get a different methodology in place. I suggest that it might take about five years. Until recently, there was no way of finding out from a single source how much was spent nationally on roads, because the spending comes from revenue budgets, capital, specific grants and funds of various kinds. One of the most significant developments involved SCOTS collecting a lot of information nationally using a questionnaire that we worked up with Audit Scotland. Moreover, Audit Scotland is producing a survey of roads-related expenditure and management issues. The survey will be a

platform from which we can begin to get the tools in place. It will show where the gaps are, where the good practice is in terms of management of the roads network and what the levels of expenditure are. It will also link together the spending that comes from the various sources that I mentioned. That has not been done before and the lack of such information has bedevilled the political arguments.

Tommy Sheridan: I would like to follow up on that point, and to put on a more parochial hat for a moment. I served as a councillor on Glasgow City Council for 11 years, and our major gripe was the funding formula that was used. Are you any closer to arriving at a funding formula that takes on board the myriad local conditions but does not undermine the level of funding that other local authorities have? Given some of the figures that we are seeing, there are various questions about whether other local authorities should have that funding. It is obvious that, in determining the level of funding, nowhere near enough account is taken of the level of road use in my city. Are we any nearer to a formula that is more closely based on reality?

Arthur Nicholls: I think that we are. The physical condition of the roads network is one factor to consider and the volume of traffic that uses it is another. The problem occurs in how we handle the transition from the current GAE set-up—under which authorities are used to a level of income from that grant source—to a system that is more objective. There will be winners and losers in that transition. SCOTS could put together a methodology that would give you an answer, but politically that might not be liked locally, because it could look in the first instance as if an authority was having its funding reduced.

The problem that Tommy Sheridan has highlighted is that, although streets such as Union Street or Renfield Street are essentially unclassified roads, the volume of traffic on them is immense. At the other end of the scale, there are unclassified roads in areas where there is forest industry; there are 30-tonne or 40-tonne loads going along what are basically farm tracks with surfacing on top, which breaks up quickly. The only way to address that problem is to ask what fundamental condition the road is in, what use we are trying to make of the road and whether we are doing enough to maintain the value, the utility and the reliability of that asset. That is the model that we are going for.

Hugh Murdoch: As you can imagine, SCOTS has been trying to gather information about what qualitative information local authorities have on the condition of their asset. It will probably not surprise members that many authorities do not know what their full asset is, so it is difficult to know what its

condition is. The carriageways issue is being addressed through a system of machine-based surveys that measure roads' condition, but most other assessments will be done through footway team visual inspections.

What happens with the drainage systems underneath, which affect the condition and structure of the road? Most authorities do not know what condition those systems are in. We know what is happening with our bridges, because we have had to assess them, but most authorities would find it difficult to tell you every position in which they have a retaining wall or whether that retaining wall is part of a road or part of a park or of somebody else's property. We are trying to paint a picture of the overall asset; it may take some time to get that full inventory, but we have to move towards that so that we know where we should invest.

Tommy Sheridan rightly asked how we should differentiate between the level of expenditure that a city gets, with the traffic conditions that it experiences, and the level that is given to an authority such as Stirling Council or Scottish Borders Council. We have tried to use the survey information from people who have qualitative data on the various parts of the infrastructure, and we have tried to group authorities together. We group the cities together, the urban authorities together, the semi-urban authorities together and the rural authorities together, and we take the islands separately. We group the authorities together and consider how we can use information in one category, such as footways. It may be that one or two authorities will have detailed information on footways, so we can use that as a proxy and extrapolate it for the authorities that do not have such detailed information. That allows us to build up a picture of the backlog. After all, one would expect the condition of footways in the Scottish Borders to be similar to those in Aberdeenshire because they are both rural authorities and are very much alike. This way of coming up with a figure for the backlog is more rigorous and is easier to update as the detailed surveys increase the amount of available information.

Tommy Sheridan: I suppose that the \$64 million question is: When will the formula that you have mentioned be ready for application? When will you be in a political position to convince authorities throughout Scotland to accept that formula, given that there will be winners and losers no matter what new formula is applied? Are you confident that the formula will be ready, robust and acceptable? Do you have a timescale for its implementation?

Arthur Nicholls: No. The first Audit Scotland conditioning indicator comes out this year and it will take another couple of years before we can

begin to see a trend either way. As Hugh Murdoch said, we will be collecting information during that time. Audit Scotland has also compiled a survey that will become a public document, which will put pressure on local government to get its own house in order and to be more systematic about collecting information from each authority. If techniques such as resource accounting and budgeting are also introduced, a five-year timescale might become doable. I do not want to be hard and fast about that; I know that things can get in the way. However, in five years you could reach a position from which you could seriously challenge local authorities to come up with a different method of allocating funds.

Dr Sylvia Jackson (Stirling) (Lab): From your responses to Tommy Sheridan's question, it appears that we can look a bit more to the future and plan for the longer term, particularly through collecting the information that will be used five years from now.

However, I am a little concerned about what will happen in the short term. Hugh Murdoch mentioned the difficulties that councils face; I can assure him that MSPs face just the same problems. After all, roads are deteriorating and the backlog is increasing all the time. What will we do in the short term? In that respect, I am interested to know what you think of the prudential framework, which Andy Kerr told us might represent one way out of the difficulty. Moreover, what can we learn from what is happening in England and Wales, where councils have moved ahead of us by accepting that they have a backlog and trying to address the matter?

I am also a bit confused about your comments about ring fencing. In response to Michael McMahon's question, you said that money will be needed somewhere in the system to address such matters. However, that is broadly what ring fencing is.

Finally, when last we heard about the SCOTS survey, we were told that new information would be available by this time this year; indeed, it was hoped that that information would go to the Convention of Scottish Local Authorities, which would allow us to consider a short-term strategy. What is happening on that?

Arthur Nicholls: Okay—I think that I have managed to write down all those points.

As far as the prudential framework is concerned, a council is allowed to borrow a sum of money in relation to its revenue capability. That borrowing is underpinned by a business plan that details what will be borrowed. That has happened with, for example, school asset plans and the transfer of council housing, in which authorities have been

able to do something because they worked out a business plan.

Our point is that we need to do the same for roads. In Scotland, we have shied away from such an approach; however, it needs to be introduced. After all, it is being introduced in England and Wales and already exists in Northern Ireland, which—as we have said—has a single roads authority.

Authorities would be saying to the banks, or whoever was to lend the money, that they are able to borrow because they are putting the money to a specific use, that they are sure about their ability to pay for it and that they are clear about the benefits that will be derived from it. We cannot do that just now.

14:45

The Convener: Is West Lothian Council using the prudential regime to increase investment in roads?

Arthur Nicholls: I say a hesitant "Yes", because capital receipts are involved in that. West Lothian Council has demonstrated what it wants to spend its money on and it has made a robust case for that. It is one of the councils that are better equipped with information to make such an argument.

On short-term actions, the survey was delayed; it proved to be much harder to get round the unclassified roads and the B and C-class roads than we had originally estimated. Even though we had a pretty good summer, progress was not as good as we had hoped. We had hoped to be able to publish the second year's results, which should show the beginning of a trend, but we are not quite there yet. I will not give the committee a date, but it will be later in this year. That will tie in with the publication of Audit Scotland's performance indicators. As soon as they are published, the pressure will be on us to speak about the survey. We need the results and we are a bit disappointed that we are not already in that position. We have a lot of work to do to analyse the survey results because they are not cut and dried; there will be a fair bit of interpretation involved.

Some councils are not spending much on roads and their roads are in bad condition; there are no surprises in that. However, although some councils have spent a lot of money, their roads are not in great condition, either. We need to know why that is. The good thing about Audit Scotland's performance indicators is that they will prompt a lot of public debate.

The other short-term actions are as we have already described. We are working closely with the Scottish Executive to make the methodology more

effective. We are working on UK national groups to get the definition of the backlog sorted out and to sort out the methodology of asset management, and we are beginning to influence a national UK roads policy. That is about standards and how we define what we want the roads for, so that the political debate can be more focused. It does not help politicians to get different messages from different sets of professionals.

Hugh Murdoch: From working on asset-management planning with counterparts in England and Wales, I understand that that is coming into the framework of local transport strategies. It is about making the right decisions for the transport infrastructure as a whole. If we should be targeting money at what the people want in their areas, we should be considering the whole-life costing of the infrastructure and deciding whether to repair to a certain level, to make significant investments in repairs, to improve the asset in order to increase capacity or to scrap the asset, which might be the better option in some situations. It is necessary to think about how those decisions are taken in the longer-term.

In England and Wales, I understand that those decisions will become part of local transport strategies or plans. Our discussions with Executive counterparts have shown that we are not expecting that process to form part of local transport strategies in Scotland. That will leave us in a difficult position, because the rest of the UK will have moved towards that framework. Unless local authority officials can persuade their elected members that this is the right direction to go in, and given the overall funding constraints that we work under, it will be extremely difficult to make the level of investment that will have to be made so that we can gather the information that will build up a picture of how to invest in the infrastructure. It will be difficult for officials to make a case for developing plans that will allow for better decision making in the future.

Dr Jackson: Convener, could we get information about local transport strategies, since Hugh Murdoch makes an important point that we should know about?

I can see all the strands that the witnesses are dealing with and trying to bring together. In answer to Tommy Sheridan, you said that it will be five years before you get the methodology in place, when we will be in a much better position. There will also be more information later this year. However, when will you talk to COSLA and when will we see transitional measures to address the problem? Those measures might not constitute the long-term plan for the next 10 years, but they might help the situation so that the roads network is not in a downward spiral of deterioration.

Hugh Murdoch: There are two aspects in respect of funding. First, how do we address the backlog, and how do we maintain the level playing field thereafter? Secondly, how do we get the asset into a condition such that people understand that although things will need to be done, they can be planned for and worked in and there will be sufficient funding coming through the authorities? There must be a period of catch-up investment to get us to that level state. Thereafter, the funding that is allocated to maintain the condition of the network will be determined on the basis of asset-management planning. As Arthur Nicholls suggested, there has to be a transitional period between GAE and outcome-based approaches. Inevitably, the winners and losers will have different perspectives on things when it comes to looking at the matter from COSLA's point of view.

Dr Jackson: Will we be able to take the debate further in, let us say, the autumn?

Hugh Murdoch: We in SCOTS have set ourselves a target to come up with a more rigorous figure for the backlog by later this year, by gathering information on average costs for the different groupings of authorities. A lot of work is going on and information is being gathered. We hope to have a figure that will address the matter of the £1.5 billion one way or another. The information that we get from the road condition survey is helping us to build a better picture of what is happening because—as we said—year by year some parts of the network are deteriorating more rapidly than others. In calculating the backlog, it is possible to be 10 per cent out in any given year because of the level of investment that is being made.

I am leading the group that is examining the issue and we are trying to ensure that we have a more robust figure than the current £1.5 billion estimate. That would allow us to ask, "How quickly do we need this fixed? Is it 10 years or 15 years? What do we need from a national point of view?"

Arthur Nicholls: A backlog of £1.5 billion over a 10-year period, which is £150 million a year, is doable in national terms. If that amount were spent over 15 or 20 years it becomes even more attractive. The spend has to be viewed like a mortgage on a property. We do not traditionally look at these assets in that way, which has bedevilled us.

The Convener: You talk about requiring £1.5 billion—if, indeed, that is the figure—over 10 years to clear the backlog, but that represents a doubling of current annual expenditure. You say that that is doable, but is it doable in terms of the capacity of local authorities and contractors to deliver the work? If there was a substantial uplift in excess of £1 billion, whether or not it was over a number of years, would you expect central Government to

provide it without a large degree of ring fencing, given the situation with some councils, such as Highland Council, which underspent its budget by £5 million against GAE? Should the Executive be concerned about handing over resources to local authorities that already underspend the resources that they receive?

Arthur Nicholls: If the backlog was regarded as a national problem that must be addressed, the option of ring fencing would have to be considered in the interim. In the long term, however, an outcome-based approach is the only sure way to achieve what is needed. We accept that that is at odds with COSLA's viewpoint.

A degree of ring fencing goes on anyway in local government, in particular in relation to education and care. Ring fencing would help, but it would be a quick fix and we should realise that it would lead to a lot of argument and disagreement; we know the limitations of that approach.

I accept that capacity is an issue. There is no doubt that it would be difficult to spend the amount of money, which is why the timescale might have to be flexible. Spend can be very high, even simply on road resurfacing, and we might not have the capacity to undertake more involved design or preparation works.

The Convener: I have a final question, before I bring Bruce McFee in. Some local authorities have discussed pooling their efforts in relation to road maintenance and improvement—I know, for example, that the issue potentially handicapped local authority bids in the most recent round of trunk road bids. Do you envisage increased partnership between neighbouring local authorities, perhaps on a regional basis, to increase the efficiency of road maintenance departments?

Arthur Nicholls: Absolutely. We cannot do without that. The bigger authorities still have a degree of expertise that means that they can be largely independent, but medium-sized and smaller local authorities must co-operate, because much effort and time is duplicated. We must get smarter. We are trying hard—I am involved in the initiative around West Lothian that is attempting to do that.

Dr Jackson: You said that smaller councils in particular are not as effective alone as they might be as part of a larger unit. Is that another reason why you think that the GAE issue is not as simple to understand as one might think when one reads the figures?

Arthur Nicholls: Smaller councils can spend their money well. However, if authorities work together they can keep the money moving around without its leaving the public sector, so in effect the money is reinvested. We must be careful

about how we involve the private sector, because value for money can be reduced when the private sector gets involved in an unplanned way. If a group of local authorities work together, they can afford to use one expert to service the group and can probably do a better job. Stirling Council, where I work, uses the private sector extensively, but authorities have to be careful about that because they can get stung. Authorities must think carefully about where their expertise lies. They must retain that expertise and then bring others in. The more authorities there are in a group, the easier it becomes to do that.

Hugh Murdoch: One aspect is contractors and their ability to deliver schemes that have a large level of investment. The other aspect is capacity and capability to deal with such investment, when the people who progress schemes to maintain existing assets are also trying to deliver new projects that will enhance the asset and deliver the transport systems that we want for the future. SCOTS is well aware of the general difficulties in respect of recruitment and the skills shortage, which would make it extremely difficult for us to meet all the demands that we would want to meet if investment was suddenly doubled.

Mr Bruce McFee (West of Scotland) (SNP): Is it the case that the award of, for example, the trunk roads contracts to companies such as Amey resulted in a loss of professional expertise in local authorities? If there were a sudden injection of extra cash, how satisfied are you about the capacity of the direct labour organisations and, indeed, the contractors to handle the work? Would a fairly large hike have to be made in the cost of the works that were to be carried out?

15:00

Arthur Nicholls: If a market is flooded, it is a fact of life that that is bound to result in an increase in prices. An authority's in-house DLO can act as a check against that, if it is used wisely. That said, although capacity is not an issue in some areas, in other areas the number of people and the range of expertise that is involved to turn the money into the product on the ground are restricted.

If an authority has the sort of asset-management plan that we have been speaking about, it has to be alive to the doability of that plan. There is no point in an authority coming out and saying that it has a 10-year plan or a 15-to-20-year plan; authorities must be realistic about their assets. The one thing that we cannot do in the budget process is raise expectations unnecessarily, which would only double back on us. That is something that we need to avoid. We should not be pessimistic; we have to be realistic and our

arguments have to be able to stand up to the challenges that others might make.

Mr McFee: Do you concede that there might be a case for building up the levels of expertise and, indeed, capacity within the public sector? Would it be better to have a programme that does not come in at 10 equal parts of £150 million but which builds up over a period of time?

I also want to address the backlog. Let us say that it turns out to be £1.5 billion and we are looking at 10 years in which to try to resolve it. Although we will have to see what happens, let us assume that the backlog does not increase and that present spending is enough to maintain the network in its existing condition. When there is a backlog and you wish to effect a repair, to what standard do you work? Clearly, the standard that you are going to need in the centre of Glasgow will be different to that which would be needed to repair two streets in a residential area. Do you have a fit-for-purpose standard, for example, for each type of road?

Hugh Murdoch: We have been trying to develop that in our work. The on-going road condition survey does not examine every road that has deteriorated to check the extent to which it needs reconstruction; rather, it examines the whole-life costing of a road by asking what we need to do to fix the road to an acceptable standard. In the situation of, for example, a residential street in a small town, the level of traffic that might need to be accommodated means that an acceptable standard could involve a thin overlay, which is different to the level of investment that would be needed on a heavily trafficked road in the middle of a city.

The survey leads us to what needs to be done with the network. Not every authority has access to quarries or to material plants; therefore, the costs of treatment differ throughout Scotland. Clearly, because of those cost differentials, the road condition survey has to be based on good information that is built back into the longer-term asset-management plans that show what authorities want to achieve.

It is correct to say that, if local authorities are to build up their expertise, they must do that with a gradual increase in funding. If authorities were suddenly to be swamped with a doubling of the level of investment, although that might seem to be the right solution, they might be seen not to have delivered at the end of 12 months and would receive considerable criticism for failing to deliver on the public's expectation that there would be significant improvements in the asset.

Iain Smith: I have a very quick supplementary question—although you might not be able to give me the ball-park figure that I am looking for. Let us

say that you were to spend £100 million on structural improvements to roads, how much would you expect to save in emergency maintenance costs?

Hugh Murdoch: I will give an example. I work in Aberdeen, where we considered spending about £0.5 million on some footways in the city centre. We reckon that, if we were to work to a higher specification of footway treatment, we could save £60,000 a year on repairs in the city centre alone.

The Convener: That brings us to the end of questions. I thank our witnesses—Hugh Murdoch and Arthur Nicholls—for their participation in the meeting this afternoon.

15:05

Meeting continued in private until 16:17.

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