

# **EDUCATION, LIFELONG LEARNING AND CULTURE COMMITTEE**

Wednesday 3 February 2010

Session 3

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### EDUCATION, LIFELONG LEARNING AND CULTURE COMMITTEE 3<sup>rd</sup> Meeting 2010, Session 3

#### CONVENER

\*Karen Whitefield (Airdrie and Shotts) (Lab)

#### DEPUTY CONVENER

\*Kenneth Gibson (Cunninghame North) (SNP)

#### COMMITTEE MEMBERS

\*Claire Baker (Mid Scotland and Fife) (Lab)  
\*Aileen Campbell (South of Scotland) (SNP)  
\*Ken Macintosh (Eastwood) (Lab)  
\*Christina McKelvie (Central Scotland) (SNP)  
\*Elizabeth Smith (Mid Scotland and Fife) (Con)  
\*Margaret Smith (Edinburgh West) (LD)

#### COMMITTEE SUBSTITUTES

Ted Brocklebank (Mid Scotland and Fife) (Con)  
Hugh O'Donnell (Central Scotland) (LD)  
Cathy Peattie (Falkirk East) (Lab)  
Dave Thompson (Highlands and Islands) (SNP)

\*attended

#### THE FOLLOWING GAVE EVIDENCE:

Caroline Gardner (Audit Scotland)  
Graeme Greenhill (Audit Scotland)  
David Henderson (Scottish Government Public Service Reform Directorate)  
John Ireland (Scottish Government Education Directorate)  
Colin MacLean (Scottish Government Learning Directorate)  
Gordon Smail (Audit Scotland)  
Sarah Smith (Scottish Government Children, Young People and Social Care Directorate)

#### CLERK TO THE COMMITTEE

Eugene Windsor

#### SENIOR ASSISTANT CLERK

Nick Hawthorne

#### ASSISTANT CLERK

Emma Berry

#### LOCATION

Committee Room 2



## Scottish Parliament

### Education, Lifelong Learning and Culture Committee

*Wednesday 3 February 2010*

[THE DEPUTY CONVENER *opened the meeting at 10:00*]

### Decision on Taking Business in Private

**The Deputy Convener (Kenneth Gibson):** Good morning. I welcome everyone to the Education, Lifelong Learning and Culture Committee's third meeting in 2010. Before we move on to the main business in hand, does the committee agree to take in private item 3, which is consideration of our work programme?

**Members** *indicated agreement.*

## Education and Children's Services (Local Authority Funding)

10:00

**The Deputy Convener:** Item 2 is oral evidence to support the committee's scoping exercise on local authority funding of education and children's services. For the first panel, I welcome from the Scottish Government Colin MacLean, director of schools; Sarah Smith, director for children, young people and social care; David Henderson, head of the local government division; and John Ireland, senior economic adviser and head of education analytical services. I ask Colin MacLean to make a brief opening statement.

**Colin MacLean (Scottish Government Learning Directorate):** Thank you for giving us the opportunity to provide evidence for the committee's scoping exercise. For the record, my job title has changed from director of schools to director of learning, but the other job titles were exactly right.

The briefing paper that we provided summarises the process of allocating funding from the Scottish Government to local authorities. I will give a quick overview of that paper's key points and then describe briefly the main blocks of activity in which we engage that are relevant to local authority delivery of services. I will also mention the matters in which the Scottish Government has no locus.

In the current spending review period, up to the end of 2010-11, the Scottish Government will have provided £35 billion to local government, which is about a third of the total Scottish budget. Scottish Government revenue grant supports about 80 per cent of total local authority net revenue expenditure; the remainder is funded largely from the council tax.

Revenue grant is allocated among local authorities under a needs-based formula that was developed in consultation between central and local government. It is for each council to allocate the total financial resources that are available to it on the basis of local needs and priorities while ensuring that it fulfils its statutory obligations and the jointly agreed set of national and local priorities, which include the Scottish Government's key strategic objectives and a number of jointly agreed commitments.

Paragraph 17 and subsequent paragraphs in the paper describe the Scottish Government's financial contribution to expenditure on education and children's services. As the committee knows, most funding for local authority services, including education, goes through the local government

settlement. The bulk of the education and lifelong learning portfolio budget is allocated to further and higher education, student awards and Skills Development Scotland. Most of the rest is used to support national organisations and development work. Only a very small proportion of the education and lifelong learning budget is given directly to local authorities for spending on education.

I will expand on the detail in paragraph 20. In 2009-10, several budget lines were allocated directly to local authorities, of which the largest was £19.2 million for determined to succeed. Other central Government funding includes some that is partially spent in local authorities. For example, support for qualifications development can include paying for supply-teacher cover to release experienced teachers to work with the Scottish Qualifications Authority. Some funding is allocated entirely to other organisations, such as support for Jordanhill School and for voluntary bodies. We are happy to provide a more detailed breakdown for the committee if that would help.

The key point is that, when compared with the £5.4 billion that local authorities spend on education and children's services each year, direct funding by the Scottish Government is only a very small proportion. Even when indirect funding is taken into account—for example, payment by the SQA to local authorities for staff time—the percentage of local authority education funding for which the education and lifelong learning portfolio pays directly is less than 5 per cent. That figure has been lower since the concordat was signed, but it is worth noting that the Scottish Government has never funded more than a very small fraction of the total local authority spending on education and children's services and has never prescribed how much should be spent in total on those services.

The concordat, which was signed in November 2007, fundamentally changed the relationship between the Scottish Government and local government. It gave local government more freedom and flexibility to respond to local priorities. The Scottish Government now stands back from micromanaging what councils do and councils are expected to take responsibility and be answerable for their decisions.

The focus now is on achieving shared outcomes, and the new relationship is underpinned by single outcome agreements signed with each community planning partnership. Although single outcome agreements contain an agreed statement of local and national priorities, they do not go into the detail of local service delivery. That is a matter for individual councils and their community planning partners.

Instead of ring-fenced funding, our principal mechanism for pursuing policy objectives is the commitment in the concordat to shared policy making and working together across all parts of the public sector including national bodies to secure agreed outcomes. That said, flexibility exists for small pockets of funding to be made available, occasionally and with the agreement of the Convention of Scottish Local Authorities, for specific development work. For example, in 2009-10, we have provided funding for 100 teachers to support implementation of the curriculum for excellence.

The Scottish Government plays a formal role in various stages of a number of processes. For example, ministers have a formal role in relation to school closures and the Government is a full member of the committee that negotiates teacher pay and conditions.

Although ministers are not directly responsible for delivery of the education service, they play an important role in ensuring that publicly funded education is delivered effectively and efficiently. That is achieved by a number of means. National bodies such as SQA, Learning and Teaching Scotland and the Scottish Further and Higher Education Funding Council are directly accountable to ministers. The agreed policy framework, single outcome agreements and the concordat provide an agreed basis for delivery, including commitments to quality. Key national policies such as the curriculum for excellence are delivered using a formal programme management approach, with local government accepting that it is accountable for delivery of its contribution.

Ministers commission the inspection of service delivery and the various inspectorates report to ministers and to the public on the quality of delivery by local government. Recommendations for improvement are made by the inspectorates, which follow them up with councils and schools until they are satisfied that they have been implemented.

However, although ministers have significant influence, local authorities are independent corporate bodies. In recognition of the fact that they have their own governance and are accountable for the decisions that they take on the services that they deliver and the budgets that they set, they are audited, independently of ministers, by the Accounts Commission.

We are happy to take questions.

**The Convener (Karen Whitefield):** Thank you very much for your detailed opening statement and written submission. I apologise for arriving late this morning.

Paragraph 4 of your written submission states that, as a result of the concordat, your relationship

with councils has “changed significantly”, with councils now having greater flexibility. Indeed, you used very similar wording in your opening statement. I would be interested to know whether, with the removal of service grant-aided expenditure and the incorporation of a large number of specific grants into the block, the Scottish Government might actually have lost some control and influence over education spending.

**Colin MacLean:** I will ask David Henderson to comment on the general point. As far as education is concerned, a number of specific grants and allocations to councils have now been incorporated into the block; however, the total amount that was given to local authorities for education was always a very small fraction of their total spending and, in any case, they always decided the total amount that they were going to spend.

We control less of the detailed allocation of funding but, as I said in my opening statement, through the concordat at a general level, the single outcome agreements with individual planning partnerships and the processes in the curriculum for excellence and the early years framework, there has been a shift towards our sitting down with councils and others and collectively agreeing how we will achieve shared objectives. The process has certainly changed. As for control and influence, Government is now working with other organisations and seeking collectively to influence front-line provision rather than directing the detailed delivery of services.

**David Henderson (Scottish Government Public Service Reform Directorate):** I agree. The GAEs, as they were before the concordat was signed, were never expenditure targets. The block of money that was not ring fenced amounted to about three quarters of the total that councils got from the Government. The GAEs were simply a means by which to allocate between different councils. They were never spending targets. With the removal of ring fencing under the concordat, the block increased from about three quarters to about 85 per cent, but the principle is the same. I endorse everything that Colin MacLean said.

**The Convener:** In responding to my question, Colin MacLean said that the Government sits down, discusses and negotiates with local government to agree shared priorities. Again, that is mentioned in the paper. How do Scottish Government officials monitor progress on delivery of those commitments? Is there a problem with no costings being attached to the delivery of those priorities once they have been agreed with local government?

**Colin MacLean:** There are two different processes at work. I will say a little about the

curriculum for excellence and Sarah Smith will say something about the early years.

One process is how we agree what is to be done; there is a separate process for how we know that that is happening. On the former, we have a committee for the curriculum for excellence, which I chair. The local authorities are represented by the Society of Local Authority Chief Executives and Senior Managers and by directors of education; also represented are the headteachers, teachers unions, colleges and universities—all the various players who are responsible for delivering education—and the various national bodies. That group has agreed advice to ministers on policy in relation to the curriculum for excellence and ministers have accepted that advice. It is nationally agreed advice, as it has been agreed with councils as well as with those other bodies.

As the next stage in the process, we are developing a detailed programme for delivery. That is a combination of what is being done nationally to ensure that the qualifications are ready on time to be delivered, what is being done to ensure that advice is provided to teachers by LTS, and what is being done in individual councils and schools, which have their own plans to ensure that work is done locally to ensure that teachers are ready to deliver the curriculum. A formal programme management structure ensures that all those different contributions are made.

At the other end of the process—I will ask John Ireland to say something about evaluation—we will need to check whether we are delivering the programme as we said we would and whether the outcomes for learners are improving as a consequence. Some of the outcomes will take a number of years to be seen, of course, because we are looking at outcomes as young people go through the education system. That work will involve the collection of statistical information, reports by councils as part of the single outcome agreement process, and inspection evidence.

I ask Sarah Smith to say something about the early years.

**Sarah Smith (Scottish Government Children, Young People and Social Care Directorate):** The early years framework is another example of the approach that Colin MacLean described. It is very much a partnership approach. We are trying to build a common understanding of the key things that we believe matter in trying to give every child the best start in life. A concentrated period of joint policy development drew in colleagues from local government and the third sector, research and evidence to produce a jointly agreed framework that was signed off, as I am sure you know, by both COSLA and Scottish ministers.

To oversee the process of developing the framework, a board was jointly chaired by the Scottish Government—by me—and by Rory Mair of COSLA. We maintained that board to oversee implementation, which has several different strands. First, there is the work that we agreed we would carry out at a national level. That is not the focus of today's discussion, but we reporters share experience on where we have got to with national things such as the parenting campaign. Secondly, we are carrying out work to convert research into practice. We are considering how we can draw from the range of research and turn it into practice-ready guidance for people. Again, we are doing that collaboratively with local government colleagues and others.

Two other strands of work are most important in relation to your question, convener. One is about data and indicators. Under that strand, we consider how we can get the best possible measures of whether we are making a difference and reaching our overall national outcome of giving every child the best start in life. Under the other strand, we are considering how we can best work together to ensure that we get the best possible local practice on the ground. Obviously, the four strands of work are all connected.

Our programme board meets regularly, and has representatives from local government, the third sector and the Scottish Government. It looks at those four activity strands and assesses where we are and where we think we should be.

10:15

You talked about costings. You will be aware that a challenging aspiration around the early years framework was that we should find models for resource transfer so that we could move away from spending so much on the crisis end and transfer resource to early intervention and early years. We are collaborating with local partners to see how we can go about that in times of ever-tightening financial resources. I do not suggest that we have found an answer yet; I am trying to describe a genuinely collaborative approach to working out how we can best make a difference.

**Colin MacLean:** Does John Ireland want to say something about evaluation?

**John Ireland (Scottish Government Education Directorate):** Yes, very briefly. This is a piece of the work that will follow the implementation of the curriculum for excellence, and it has two components. The first is the monitoring of the detailed project plan, which is being worked up at the moment. The second part is work with the other delivery partners, such as the Association of Directors of Education in Scotland and Her Majesty's Inspectorate of

Education, to get a sense at first of how practice in learning environments is changing as a result of the curriculum for excellence. As time goes on, we will follow that up with a closer look at how outcomes are changing for learners.

**The Convener:** Those are examples of pretty complex policy areas. It is not just about the Government's determination to do something. I genuinely do not want to get into whether any policy is right or not, but policies such as those on class sizes or the provision of free school meals are straightforward: either we are going to provide those services or we are not. Teacher numbers is another example. How do the discussions with local government work in that regard? I would have thought that costings are key to that. If there is not enough money to pay for additional teachers or free school meals, those services cannot be delivered.

At the moment, based on what you have said, I am not very clear about how you manage those negotiations with local government or how the Parliament can effectively scrutinise whether local government has been given sufficient resources to allow them to meet the central Government policy determination that they might well have agreed to as a result of discussions with central Government.

**Colin MacLean:** I know that the committee is going to have discussions with COSLA and individual councils, and you will want to discuss such issues with them. David Henderson can talk about the negotiations around the concordat. Essentially, the concordat was an agreement between the Government and councils collectively about what councils would deliver and what Government would deliver for an agreed financial settlement. Beyond that, there was no discussion of the details of the costs of individual policies between Government and councils. The councils said that they would be able to deliver a certain number of things in return for a certain amount of money.

**David Henderson:** The concordat was an agreement between Government ministers and COSLA, representing all 32 councils. There were negotiations about what funding would be available and what that would deliver. COSLA negotiates with ministers on behalf of the councils, and in that forum, they agree what will be done for a certain sum of money. That is what was signed up to in the concordat, and we have routine and regular discussions about that with COSLA—formally every two to three months, and informally in between times. However, as Colin MacLean said, we do not negotiate with individual councils because COSLA represents the councils in discussions with the Government.



**Margaret Smith (Edinburgh West) (LD):** I want to get the matter clear in my head. I have to say that I had four years as a local government councillor and I still did not get local government finance clear in my head, so I declare an interest in that capacity at the outset. It is clearly difficult for anyone who is not an accountant or a maths graduate to get to grips with the issue. I will try to put it in layperson's terms.

You have undertaken a review of how local government funding is distributed according to the formula, but my understanding is that the formula is weighted in terms of population. Is it fair to say that allocations are based on the previous year's grant and that changes will always be fairly minimal? They might not be minimal over time, because population can change significantly, but it will not change significantly from one year to the next or from one three-year block to the next. Will you comment on how much change there might be and whether, in effect, the allocations are based on population?

**David Henderson:** The Parliament's Finance Committee carried out an inquiry into the distribution of local government finance in, if I remember correctly, 2005 or 2006. Everyone who has examined the matter has concluded that the system is probably the best system that we could have, although nothing is perfect. As you say, it is largely based on population, but it is not wholly based on that as it also takes into account a range of other factors. For example, in relation to the maintenance of roads, it takes into account road length and the volume of traffic, it also takes into account deprivation. It includes such needs-based factors as well as population. If it only took into account population, the distribution would be rather different. For example, the island authorities get more per head than the mainland authorities because there are extra costs associated with delivering services on the islands.

There are other factors as well. To ensure that every council gets at least the minimum uplift, we do the calculations and then we apply what is called a floor to ensure that no council gets a negative distribution from one year to the next. Allocations are not based on the previous year plus an uplift. To the extent that population and deprivation do not change dramatically, the numbers that emerge from the formula from one year to the next will be relatively similar, but that is simply a factor of the formula, if you like. It at least gives authorities some stability in their plans to deliver services in the future, because we also do three-year budgeting.

**Margaret Smith:** The convener touched on some particular policy initiatives that we have spent some time considering, such as free school meals and class sizes. To what extent are new

policy initiatives taken into account in calculating the block grant?

**David Henderson:** As I said, we regularly negotiate with and consult COSLA. Under the concordat, any new policy has to be costed and both sides have to be satisfied that it can be accommodated within the total funding that is available.

**Margaret Smith:** So both have to agree before it would be introduced. Are you saying that, in every case over the past two to three years, COSLA has always signed off such policy initiatives and said, "We are absolutely happy that there is enough money for all of this"?

**David Henderson:** The process involves our discussing with COSLA where there are financial pressures. Pressures exist—such issues arise constantly. Many of the pressures that local government faces are demand led, so councils have little control over some of what they face. There are always discussions about pressures and what can be afforded within the total sum of money that is available. That is the nature of the beast.

**Colin MacLean:** May I add to that? The discussions are not just about financial resources. We also discuss what is deliverable and the capacity of the system to change in the ways that are being discussed.

Sarah Smith described the early years framework, and some difficult questions are being addressed as part of that. The discussion with COSLA is at least as much about how we can work together to tackle some of those challenges as it is about whether we have the total resource in the system to implement a policy.

**Margaret Smith:** If we say to our colleagues in local government that, in the decade since the Parliament was established, local government has had more money to spend year on year, we always get the same answer. Once you take into account new initiatives, the fact that a substantial part of councils' money is spent on staff, which is unlikely to change, and the significant amount of their allocation that covers statutory obligations, you reach the point at which councils say, "You are not giving us enough money—we do not have enough money to do what we need to do."

With regard to councils' statutory obligations—this may be a question that you cannot answer—what percentage is already allocated, and therefore gives local government no flexibility to say, "This is what we will do with the part of the budget that is allocated to us for education"? I refer to the money that comes from you—although I take your point that a relatively small amount comes in that way—and to the money that comes from other sources.

If I was a director of education in the City of Edinburgh Council, for example, how much of my budget for education would already be eaten up by statutory obligations?

**David Henderson:** You would have to ask individual councils, because that will vary between them. They have fixed costs—for example, there will be a fixed cost for school buildings every year as part of the public-private partnership projects, and there is, as you mentioned, the cost of staffing. Children have to be educated, social care needs to be provided and roads must be maintained. There are all those certain fixed costs, and there are variable costs.

There are always pressures facing local government, and every council would like to spend more if the money was available. I think that councils would tell you that the amount that is negotiated under the concordat is reasonable, given the circumstances and taking into account what is available in the Scottish budget. There is no question but that all councils are facing financial pressures.

**Margaret Smith:** I am trying to ascertain what is not open to negotiation at any point. At the margins, there are new policy initiatives, and you discuss with councils what they require. Somewhere in the middle are things such as the maintenance of school buildings and staff salaries. On paper, those may appear to be things that councils can do something about, but to a large extent, any changes would take place at the margins. We have never seen massive redundancies among council staff—long may that continue—but the bottom line is that councils have to deliver those statutory obligations.

I am just trying to get it straight in my head. Can you give me a ballpark percentage for how much the amount that covers such things comes to? If I was a local authority director, how much of my budget would I not even be able to look at?

**David Henderson:** I cannot tell you that, and we do not go there—that is not how we do it.

**Colin MacLean:** There are a number of different ways of looking at that question, which you might want to put to councils. One way is to consider where councils are at the beginning of the year and what they will end up spending. If they have decided that there will be a particular number of teachers or social workers in their system, that more or less determines what the cost will be.

Councils have an element of choice. However, there are limits with regard to class sizes, teacher contact time and so on—absolute limits, which are either statutory or have been agreed with teacher unions, that councils would not go beyond—but they usually end up somewhere short of that position.

Councils have some flexibility, but some things are fixed. As David Henderson said, the repayment of loans on property that was built a few years ago is a fixed element in the budget. There are some things, particularly in the area that Sarah Smith spoke about, that are demand led: councils do not know at the beginning of the year how many children with particular needs will need particular support, so they have to estimate that. Even if there is a statutory obligation to provide that level of service, they cannot necessarily predict at the beginning of the year what that will cost them, and they have to work on the basis of best estimates.

Another dimension is the statutory obligation to secure adequate and efficient provision of school education that is directed at the development of the child or young person to their fullest potential. Within that, we are seeking to deliver the curriculum for excellence and other educational initiatives. Most of the things that we and councils are doing together are being taken forward through the statutory obligation.

10:30

**Sarah Smith:** I recognise the issue that has been raised. Some costs, including staffing costs, are fixed. However, the question is, what are staff used for, where do they focus their efforts and how do they prioritise their efforts? It will be interesting to hear what local government says to members when they go out on visits and have discussions with councils. It is interesting to look not just at which costs are fixed, or not fixed, but at what the fixed costs are used for and how they are focused.

**Margaret Smith:** There seems to be a spectrum. Directors will tell us that there are some things that they cannot get out of doing, the costs of which are fixed. There are other things in the middle, including staff costs, that are not fixed, because decisions are taken all the time not to fill places and so on. At the other end of the spectrum, there are nice schemes that councils would love to run if they had enough money, but they will never feel that they have enough money to do all of them. I anticipate that, when we speak to people at the local level, we will hear exactly what all of us have heard from our local authority colleagues over the years: there is not enough money. Within that, we will be told that there are things that they are told they have to do and cannot get out of. I was trying to get a ballpark figure for those things. I am a bit surprised that there is not at least an indication of that.

We are talking about obligations that we as the Parliament and you as Government officials have placed on local authorities. I am trying to understand how we can ensure that local authorities are pursuing those statutory obligations

at the level that is necessary to ensure that they are deliverable. However, I accept the answers that you have given. I am not sure that we can get much more on the issue and do not want to take up any more time pursuing it.

**The Convener:** I will follow up on Margaret Smith's line of questioning. COSLA believes that, after it has taken into account the council tax freeze and inflation, only £175 million of new money is available to it to cover new commitments. In the concordat, COSLA agreed and signed up to four specific commitments: on class sizes, on free school meals for primaries 1 to 3, on the extension of eligibility for free school meals to children whose parents are in receipt of working families tax credit, and on access to nursery education. The indicative cost of those commitments is roughly £583 million. There is a massive difference between £583 million and the £175 million that COSLA believes is available to it. Do you recognise the figure of £175 million? Do you agree with the £583 million figure? How will we marry up the two figures, to allow local government to meet its commitments and agreements?

**David Henderson:** I am not sure that I have heard the £583 million figure before. I have certainly heard the £175 million figure, but I cannot say how it is made up, as we have not costed matters explicitly in that way.

I return to a point that I made earlier. The concordat was concluded on the basis that, for the total sum of money that was provided, local government would deliver a number of things, including the commitments to which you have referred. The concordat deal gave local authorities some benefits to offset against some of the costs that you have mentioned. For example, councils retained all their efficiency savings for the first time. The removal of ring fencing took away quite a lot of bureaucracy and enabled them to redeploy resources. There are swings and roundabouts within the concordat—the position is not quite as clear cut as you may be suggesting.

There have been pressures since the concordat was agreed. Circumstances have changed, especially in the 2010-11 budget. Local government has taken its share of the efficiency savings that have come from the United Kingdom Government, which has made a difference. We have engaged with local government about what that all means in the context of the totals. The figures that you quoted are from 2007; things have moved on a bit since then.

**Colin MacLean:** Convener, you will know that COSLA and ministers had discussions before Christmas about the specific issues that you identified. A line in the concordat states:

"It is recognised that, in some instances, whether through the development of new policy initiatives or for other reasons, there may be exceptional funding pressures which local authorities are unable to meet."

That line triggers the possibility of a conversation, which COSLA and ministers had before Christmas, about the pace with which local authorities will implement the various commitments, to which they are still committed, on the ground that the overall financial circumstance has changed.

**The Convener:** Okay—although I think that, although some of those discussions have undoubtedly taken place, the reality is that where we are with the budget was agreed in 2007. To me, the fundamental problem appears to be that local authorities do not have sufficient new money to pay for the new commitments that they are being asked to deliver. Those are the commitments of the Scottish Government.

**Ken Macintosh (Eastwood) (Lab):** I want to expand on that and also to move on to a slightly different area.

First, I do not have a feeling for how much influence or control the education department and the Cabinet Secretary for Education and Lifelong Learning have on the education spend that goes to local government. In other words, does the money that is nominally allocated to education in local authorities come through your department in any way?

**Colin MacLean:** Are you talking about the money in the local government settlement?

**Ken Macintosh:** Yes.

**Colin MacLean:** One small component is directly negotiated. The distribution of £36 million or £37 million—we can check the exact figure—in the local government settlement depends on the number of probationers in each local authority. We have an annual discussion with councils and COSLA about how that money will be allocated to provide support to probationers, because we do not know until August of each year how many probationers there will be in each authority. Money is then allocated to provide probationer support locally.

If any money is not needed as part of that allocation, we have a further discussion with COSLA about how the balance will be allocated to councils. Beyond that, we have no discussions with councils about the amount of money in the settlement that they will allocate to education.

**Ken Macintosh:** What happens when you announce new money for an initiative? Let us take the example of additional support for learning. Is what happens that the money comes into the cabinet secretary's budget and then she—sorry, it

is now he—decides to give it to additional support for learning and effectively passes it back to the Cabinet Secretary for Finance and Sustainable Growth and the local government settlement, or does that money never actually come through the education department?

**Colin MacLean:** There are two possible mechanisms, and David Henderson can talk about his end of that process. The first mechanism is that we can allocate money directly from the education and lifelong learning portfolio to individual councils in return for their employing teachers to do certain things as part of that discussion. The alternative is that the money passes through the local government settlement route. Either way, there is a discussion with COSLA about how much money goes to each council.

**David Henderson:** The presumption now is that money will not be ring fenced. As part of the discussions, however, there will be an agreement about how it is to be used. For specific grants, conditions are attached. Within the settlement, the money goes out as part of the block and is then for councils to spend.

**Colin MacLean:** This year, for example, there was funding for 100 teachers to support the curriculum for excellence. That was the result of an explicit discussion with COSLA about additional resources to pay for an agreed number of teachers in each council to support the national and local development work. It is increasingly rare that we use that mechanism, however.

**Ken Macintosh:** Will that money be mainstreamed from now on in the local government settlement?

**Colin MacLean:** The vast bulk of the money is now in the settlement.

**Ken Macintosh:** Does that include funding for the extra 100 teachers?

**Colin MacLean:** No. We gave that money on a one-off basis directly to councils. That process is increasingly rare.

**David Henderson:** The discussions between ministers and COSLA encapsulate everything that is going to local government—the settlement and any specific grants over and above that. We take everything into account, so the figure that we put out at the time—the £12 billion—includes everything.

**Ken Macintosh:** You have been clear from the start that the GAE and nominal headings are simply a mechanism to divide up money fairly between councils. However, do you use the budget process to reward or incentivise councils, or even possibly to punish them for inefficiency or for not meeting policy commitments? Take, for

example, additional support for learning, which some councils will be better at than others. Do you reflect that in your budget discussions or settlement? If a council decides to spend no money on additional support for learning, are you aware that they have not done so? Do you get that information and take action on the issue?

**Colin MacLean:** The scrutiny of how the budget is spent is a local matter for the auditors of a council and not a matter for us. If the delivery of a service to a particular group was inadequate, that would come to our attention through the inspection process. There are mechanisms to make the Government and the wider population aware of poor-quality service delivery. The mechanism then would be recommendations from the relevant inspectorate for improvement in that particular service.

**Ken Macintosh:** Would you use the budget process at all?

**David Henderson:** To the extent that councils retain their efficiency savings, the better they do, the more they retain. That is an encouragement or incentive. If you are asking whether we would ever cut money to a council that did not do something, the answer is that that is not how the process works.

**Colin MacLean:** The definition of the process is that it is need led, not performance led. The money that goes to the council is based on the number of people, the level of deprivation, the miles of particular types of roads and so on. It is not based on the performance of children in schools.

**Ken Macintosh:** I am trying to work out the link between the budget and policy. Is there a link? I have not heard one so far.

**Colin MacLean:** Sarah Smith can talk about the money that her directorate controls, but the bulk of the money in my directorate is used to support national activity—it is for the inspectorate, the Scottish Qualifications Authority, Learning and Teaching Scotland, grant-aided schools and so on.

**Ken Macintosh:** I am not talking about the education directorate's budget; I mean the education spend in local authorities that comes through the Scottish Government, which I imagine is influenced by the cabinet secretary and the education directorate.

**Colin MacLean:** The discussions that we have at official and ministerial level are on, first, whether particular policies are agreed to be national ones. Increasingly, that process is a collective one and involves not only councils, but other public sector bodies. After a broad policy is agreed, the second step is to agree how it will be delivered. The

process of deciding the budget allocations that relate to the policy is purely for the individual councils.

**Sarah Smith:** It might help if I gave as an example child protection, in which driving up performance is important to the Government and which we take seriously. We seek to drive up performance through a range of measures at national level, but a key one is the HMIE-led multidisciplinary child protection inspections and the work that has gone into a whole cycle of those and the follow-up round of inspections. The way in which we as officials engage and try to ensure that we are delivering better outcomes for children who are in need of protection is partly about what we hear from the inspections, but it is also about how we engage individually with local authorities and child protection committees—not just local authorities—to drive up performance.

The money that local authorities receive to spend on child protection is part of the overall social work money. Teachers also do work on that in the normal course of their activities, so some of it comes out of the teachers budget. Colin MacLean gave a good summary when he said that the budget that goes out is need led. I have just tried to give you an example of how we try to drive up performance on the policy.

10:45

**Ken Macintosh:** For your purposes, do you link up to make a calculation about the policies that you wish to see implemented, which are of importance to the Government, and budget figures? Do the policies have figures attached to them at all, for your purposes?

**Colin MacLean:** Do you mean do we have an estimate of what it will cost local government to deliver particular policies?

**Ken Macintosh:** Yes.

**Colin MacLean:** No. Local authorities do that. The discussion that we will have with them is whether the policy is desirable, whether it is realistic for them to implement it and what we can do to help. On curriculum for excellence, what we can do to help is largely around providing advice, support and teacher education, which is done at national level. The discussion is more about what the national Government and national bodies need to do to make it easier for local government to deliver at the front line and what has been agreed as that national policy.

**Ken Macintosh:** What about big policies like class sizes, teacher numbers or school buildings? Do you have influence over those in terms of budgets? Do you make calculations, or is that entirely a matter for—

**Colin MacLean:** David Henderson can say a bit more about school buildings. There are specific contributions, which the Government had made in the past, to support PPP schemes, which are now formally part of the settlement. A number of new projects are being taken forward nationally.

**Ken Macintosh:** Do you mean through the education department? Do you discuss and calculate the cost of these programmes?

**Colin MacLean:** On the national school building programme—this depends on what will happen later today, obviously—there is a proposal for money in the national budget next year, which will begin the process of supporting those schools as they are built. That is the Government contribution to the cost of those schools, but that is a relatively small proportion of the total amount that will be spent on school buildings. The rest of it is in the local government settlement. There is no discussion about specifically which bits of the budget will be used for schools or anything else—

**Ken Macintosh:** So, you have no figures attached to the policies on class sizes and teacher numbers for example. You do not work with figures.

**Colin MacLean:** No. We hear from councils, as you will, what they are doing, but it is for them to decide. They will tell us what they are proposing to do in those areas. If they choose to put a figure on that—obviously in the course of the next two weeks they will be considering the cost to them as part of their budget process—they will do so. That is nothing to do with us.

**Ken Macintosh:** I have one final question. I believe that you get a number of statistical returns, such as provision out-turn budget estimates and the local finance return. How do you use them? What do you use them for?

**David Henderson:** Both sets of figures are published. We use them to inform ourselves about what councils are doing. The local finance return figures come in after the event and are therefore a little out of date. The latest published figures are for 2007-08, which is some years ago. They are for information; we use them as such. They tell us what councils are doing at that level.

**Ken Macintosh:** You get the figures in and they give you some information. Perhaps one of the figures is anomalous or not what you expect. Would you take any action?

**David Henderson:** If the figure was anomalous, we would certainly first check that it was right. Beyond that, it might come up in discussion.

**Ken Macintosh:** Would another department, such as the finance or local government directorates, take action? Do they use the figures

in a more proactive way in their relationship with local authorities?

**David Henderson:** The policy divisions would look at them—they would inform policy divisions. My team gives out money to local authorities through the settlement. We do not go in and vet them in that way.

**Ken Macintosh:** Sorry. I said that that was my last question, but I have another.

Would it be fair to say that your greatest influence over the budget is at the point of announcement of a sum? When you announce a new policy, you have an opportunity to make a difference. However, as far as I can see, you have no control other than at the point when you allocate a new or additional sum. After that, you have no control because you cannot take the money back or say how it is spent and you do not measure efficiency or outcomes. I agree that you have other policy measures available through the inspectorate and so on, but you have no budgetary control other than at the point of announcement. Am I right in thinking that?

**Colin MacLean:** Whether we have control over what happens is different from whether we have an interest in what happens. Clearly, we have an interest, as you do, in what the Accounts Commission says about the performance of individual councils. We have an interest in what inspection reports say about child protection—Sarah Smith might want to talk about that—and in how councils respond to the inspectorate's findings. If the inspectors raise an issue about lack of resource, quality of delivery, organisation or management, then ministers would, like you, have an interest in how the local authority responds to that. Ministers have an interest but not a controlling interest.

**Sarah Smith:** On the question of what we do with the figures when we get them each year, we have a strong interest in looking in aggregate and then individually at trends in spend. For example, how much has children and families spend increased over the past 10 years? How much variation is there locally? What sorts of reasons might there be for that variation? How can we best promote best practice? We use the figures to inform policy discussions thereafter.

**Elizabeth Smith (Mid Scotland and Fife) (Con):** I want to tease out a little further the question of who actually makes decisions. Mr Henderson—you were very clear earlier that the Scottish Government's role is to decide the national policy objectives and to set the amount of money as a block grant—

**David Henderson:** In negotiations.

**Elizabeth Smith:** You also made it clear that the absence of ring fencing allows for much greater flexibility in how local authorities spend that money. Does that arrangement cause difficulty in respect of your ability to measure performance?

**David Henderson:** My colleagues may want to add to this, but I believe that performance is measured in a number of ways, including the best-value reports of the Accounts Commission, the reports on inspections, the statistics that we get and the discussions that we have. Performance permeates all that we see, so of course it is a factor in what we do.

**Elizabeth Smith:** You talked earlier about the initial agreement that you negotiate with COSLA, which represents all 32 local authorities. However, the individual 32 local authorities make the decisions on how to spend that money. How do you measure performance against that? At the grass roots, the important thing for education in this country is how well each of the 32 local authorities serves the interests of the children. As I understand it, your ability to measure that is slightly constrained because your negotiating factor is COSLA and you do not have a direct relationship with the local authorities. How can we improve the process of measuring educational performance in this country?

**Colin MacLean:** When we talk about measuring performance, we are not talking about measuring the budgetary performance. We look at the performance of the schools system, such as the level of Scottish Qualifications Authority qualifications that individuals achieve as well as a range of other quality indicators on school provision and child protection. We have lots of information about the performance of individual establishments and authorities. That is the basis on which ministers engage in conversation.

**Elizabeth Smith:** Mr MacLean said clearly that the approach is not performance led but needs based. I find that slightly extraordinary, and I think that many parents would find it extraordinary.

**Colin MacLean:** What I was saying is that the amount of money that is allocated to councils is based on identification of need in councils. The money that councils get is not based on their past performance in relation to meeting those needs. That is all I was saying.

**Elizabeth Smith:** Surely part of what councils have done in the past—as in how well they have performed and how well they have spent that money—must come into some kind of policy making for the future.

**Colin MacLean:** Of course it comes into policy making in considering how the system is performing and in local decisions on what needs to

be done next. The single outcome agreements get into discussions about the priorities and challenges that an area is facing: of course, what an authority has done in the past is one influence on what it needs to do in the future. However, the allocation of funding to local authorities through the settlement is based on the assessment of the needs in that area today rather than on what authorities have done in the past. That is all that I was saying.

**Elizabeth Smith:** Are you satisfied that a system that is based on a concordat that sets national targets and allows much greater flexibility with the absence of ring fencing is the best possible way to organise education—

**Colin MacLean:** That is a question that you would want to put to ministers.

**Elizabeth Smith:** I am sorry, but I did not quite finish my question. Are you satisfied that such a system is the best possible way to deliver quality performance, on which you obviously advise the Government?

**Colin MacLean:** You would want to put to ministers the question whether that system is the best possible. It is not for us to take a view on that.

**Elizabeth Smith:** Is that the case even in respect of economic aspiration? Do you not advise the Government on that?

**David Henderson:** The question that you ask does not apply only since the concordat was signed. The needs-based approach that has been adopted has been in place for decades. It did not start with the concordat in 2007; it has been used historically. Your question is whether that approach is right and whether councils should be rewarded for performance.

**Elizabeth Smith:** A fundamental difference exists in that there is now an absence of ring fencing. We can argue politically whether that is right or wrong.

**David Henderson:** There is an absence at the margins.

**Elizabeth Smith:** Yes, but surely that has changed the relationship with local government.

**David Henderson:** It has changed it at the margins. Earlier, I said in answer to the convener that, previously, about 75 per cent of funding was not ring fenced. That percentage has gone up with the concordat. A lot of education spending was not previously ring fenced.

**Elizabeth Smith:** Who makes decisions about workforce planning and the numbers of teachers in Scotland? Does the national Government or do local authorities decide how many teachers we need?

**Colin MacLean:** Two different decisions have to be made. Individual councils decide the number of teachers they will employ. The number of retirements and women coming back from maternity leave determines the number of new teachers councils will need to recruit in any given year. They also take a share of the probationers who are coming through the system. Therefore, local decisions that are entirely for councils are taken about the number of teachers who will be employed.

A national decision is formally taken by the Government in the light of advice to the Scottish funding council. If it would be helpful, John Ireland can say a bit about the process. We work with councils and others and estimate the number of teachers that councils will need when the teacher trainees come into the system. The Government does not determine how many teachers there should be; rather, we determine our best estimate of the number of teachers that we need to train to ensure that supply and demand are kept in balance. That process is very difficult. It works well in some years but not as well in other years, because of unpredictable changes in the number of teachers who leave or are recruited.

**Elizabeth Smith:** Do you use the Convention of Scottish Local Authorities for that?

**Colin MacLean:** COSLA is part of the discussion process. John Ireland may want to say more about that.

**John Ireland:** I can provide more details about the technical model that underlies the discussion, if that would be helpful. Colin MacLean has made the substantive point: the process is collaborative. The technical working group, which does a lot of the modelling, consists of analysts from the Government and people from local authorities and COSLA.

**Elizabeth Smith:** I think that we will return to that issue when we speak to other people. There is a fundamental problem with setting national targets in any policy and then leaving local authorities to set their own priorities. Those two things do not go together at all. There is a bit of confusion about exactly who is making the decisions, but that is a matter for the Government.

**The Convener:** Is it correct to say that the Government is now using an outcome budget system and that we have a national performance framework that is agreed with COSLA?

**Colin MacLean:** Yes.

**The Convener:** There are only two education performance outcomes. My understanding is that one is to increase the number of school leavers who enter further education, higher education or training and the other is to increase the number of schools that receive positive inspections. How is

the Scottish Government monitoring those outcomes?

11:00

**Colin MacLean:** I will put a gloss on what you said about the national performance framework. It is set by the Government, and COSLA has agreed to use it as the basis for the concordat and the 32 single outcome agreements. Even though it is discussed and agreed with others, it is the Government's performance framework rather than being a shared set of statements.

The Government has established a set of 44 or 45 indicators, which is a relatively limited number. Together, they provide evidence on whether the 15 national outcomes are being met. Some of the indicators are relevant to more than one of the outcomes. For example, there is an indicator on reducing the number of alcohol-related hospital admissions. It does not refer directly to schools, but the work of schools in developing people's attitudes to alcohol and their health more generally will feed through into that in due course. Quite a few of the indicators depend on what is being done in schools or in children's services, even if that is not mentioned explicitly. It is a collection of indicators, but they are not allocated to individual services. In that sense, there are more than just two indicators on education, although you are right that only a small number of them refer explicitly to education.

The single outcome agreements do not rely just on the national indicators. A set of indicators is established locally, which often includes many of the national indicators but can include many others. In response to what the convener said earlier, there are agreements between ministers and each CPP on the targets and indicators that are worked to locally, which may not be identical to the ones that are used in the rest of the country. The holding-to-account process is a combination of Government and the CPP holding each other to account for their contributions to that agreement, and the CPP being held to account locally through various mechanisms, which involve local councillors, the health board and so on. The process is based on a larger set of indicators than the national set, although it may include some of the national indicators. That provides a basis for more explicit agreement on what the council will do to achieve its contribution to the national objectives.

**The Convener:** That was helpful in explaining the landscape, but I do not think that you quite answered my question about how you are monitoring progress on the only two performance targets in the national framework that deal explicitly with education. What progress is being made on those?

**John Ireland:** The data for those are published on the Scotland performs part of the Scottish Government website, which shows each of the indicators that Colin MacLean referred to and the whole national performance framework. When data are available, it is possible to see the direction in which the indicators are moving, and there is also a commentary, so in addition to the hard statistical monitoring, there is a narrative about what is going on and how things are changing.

**Colin MacLean:** In relation to school inspections, for example, individual inspection reports are published, so anyone can look at them to find out what progress is being made. Once enough schools and colleges have been inspected to provide a representative national sample, the relevant indicator on the Scotland performs website will have a number that is based on that representative sample. As yet, not enough schools have been inspected through the new inspection mechanism to provide a representative sample, but all the individual bits of information are available, and the inspectorate publishes commentary on quality issues as it goes along.

**The Convener:** How were the national outcomes integrated into the budget process?

**Colin MacLean:** Part of the process that we go through with ministers is to consider what they will present to Parliament—as they are doing just now—in the draft budget. That is designed to ensure that their objectives and ambitions are addressed. As part of that process, we consider how to ensure that the national outcomes and the national purpose are delivered, but much of the money that is spent will be directed towards a number of different outcomes and purpose targets.

**The Convener:** Is it the case that tackling educational inequality, which is a considerable problem in Scotland, was not seen as being sufficiently important to make it into the national framework as an important outcome? Perhaps that is a question more for ministers than for officials.

**Colin MacLean:** It is a question for ministers as to why they have particular outcomes or indicators, but, technically, if the proportion of school leavers in sustained and positive destinations has increased, that can only have been achieved by addressing some of the inequalities in the system. Some of these are indicators that the kind of big issue that you are talking about has been addressed, but it is difficult to measure whether inequalities have been addressed. Saying that some of the specific indicators have moved in the right direction links back to the outcomes, one of which is that we have tackled significant inequalities in Scottish society, and that includes educational inequalities.



**The Convener:** I do not claim to be an expert on the matter, but I think that we might be mixing up outputs and outcomes, which are two entirely different things. We will move on.

**Aileen Campbell (South of Scotland) (SNP):** It is crucial to accept that there has been a deep philosophical change in the relationship between local and national Government and how they engage. The relationship is based on parity of esteem and partnership. Colin MacLean alluded to that in his opening statement when he mentioned an end to micromanagement, which local government has appreciated and welcomed.

To follow on from the convener's questions, in respect of parliamentary scrutiny, how feasible is it to establish a monitoring system that links spend, service delivery, progress on policies and national outcomes?

**Colin MacLean:** There are two different versions of the question. One is: can we work out what we are spending in delivering particular outcomes? Some of the spend will deliver multiple outcomes, so we can say that the spend on school education is delivering almost all the outcomes on the list. We can go through an exercise to try to estimate the contribution that schools make. That is a fundamentally different question from: how do you establish a school education budget that provides the quality and quantity of school education that we need in the system?

Those are two different discussions. If, when we looked at the contributions that different policies made to some of the outcomes, we felt that the contributions were too small, because the outcomes were not achieved, we would have to think about what advice we gave in relation to the balance of the budget, but the budget is really just a code for the activity. As Sarah Smith said, the activity of the social worker or the teacher can be changed, so the answer to the statement, "We are not achieving an outcome," might be a budgetary answer, but sometimes it will be, "What are we agreeing with front-line services and service providers that they will do with the resource that they have?"

**Sarah Smith:** I will expand on that point in respect of children and families social work services. In considering budgets, I am sure that people think about how much is being invested in the more costly out-of-area residential placements, how much is being invested in finding community-based alternatives, how quickly community-based alternatives can be brought on stream and what impact that will have. There might be the same total budget in both circumstances, but it might be delivered in very different ways.

**Aileen Campbell:** In respect of being fleet of foot, can outcome information be gathered quickly

enough and established early enough to allow it, if necessary, to influence policy direction and inputs? Do you feel confident that you can do that?

**Colin MacLean:** John Ireland alluded to the process that we have been going through with curriculum for excellence, which is perhaps a more general model. The first thing that we can look at—and very quickly—is whether we are achieving the agreed set of policy development objectives in respect of agreeing on the detail of the policy, getting advice into the system, giving teachers the continuing professional development that they need and perhaps adjusting how resources are deployed at the front line. We can do that quickly and we do. The second level comes, in a sense, from the inspection reports, which tell us whether front-line practice is changing. We may provide the training and advice, but is the quality of teaching and learning or the support that is given to children who are at risk developing as we agreed it needed to?

It could take some time before we see the outcome. The convener is right that we need to think about the issues separately. It could be years before we see whether young people in their 20s are less likely to be in hospital on a Saturday night—although that fundamentally depends on early parenting that happened 20 years previously. Some outcomes will take a long time to become evident. There will be many different contributions to them, and the process of working out whether what we did 10 years previously led to a particular outcome will be profoundly difficult, although we have to do that. We cannot get instant answers for some outcomes: it can take longer for them to work through the system.

**Ken Macintosh:** What is your relationship with the various bodies that measure local government spend and efficiency?

**Colin MacLean:** The simple answer is very good—although that does not really answer the question that you asked. Like you, we have an interest in what those bodies find when they have their conversations. We have discussions with the bodies that are directed by ministers—the inspectorates—about what they are finding and what would be helpful to us in giving advice to ministers. Child protection inspections provide a good example. There have been discussions between the inspectorates—they are all involved—policy officials and ministers to agree what would be helpful the second time, following the first round. I guess that COSLA would be involved in that discussion, too.

**Ken Macintosh:** I really meant Audit Scotland, the Accounts Commission and others, rather than the inspectorates. I meant the organisations that measure spend. They are independent bodies, but

I imagine that you use their information, or at least look at it.

**David Henderson:** Yes, absolutely.

**Ken Macintosh:** Is that information simply there to inform you? Do you suggest areas of work to those bodies?

**Colin MacLean:** There are some limited areas where they work with inspectorates, and conversations take place about how they can work together to tackle some broad issues. However, the work that those bodies do by themselves is for Parliament, not for ministers. Obviously, like everyone else, we have an interest in the outcome of that work.

**The Convener:** I have a question on efficiency savings. The concordat requires local authorities to make 2 per cent efficiency savings, which they may reinvest in front-line services. Have you been monitoring the effect of those efficiency savings on education?

**David Henderson:** That is different from the question that I thought you were going to ask. We certainly monitor the efficiency savings that local authorities deliver. Each year so far, they have delivered more than the target. Colleagues might be able to help with regard to the impact on education.

**Colin MacLean:** That brings us back to the response to Aileen Campbell's question about what we monitor. There are some things that we can monitor quickly. If funding has been changed to achieve certain things, we can see whether those things are happening. As for the outcomes that derive from that—which I think is what lies behind your question, convener—they take longer to feed through the system. Inspection and statistical monitoring are the mechanisms that we use, although we do not necessarily see an instant response in terms of outcomes for young people.

**The Convener:** If efficiency savings mean not replacing teachers as they retire, would you not think it pretty obvious that that will impact on whether or not national education priorities can be met? The Scottish Government should perhaps be monitoring that.

**Colin MacLean:** We return to the beginning of the discussion. The concordat gives authorities control over how they spend a higher proportion of their budgets than before. Authorities will report how they are making efficiencies, but what they do with them is entirely up to them.

**The Convener:** So the Scottish Government's only interest in that is whether or not authorities meet the target that has been agreed in the concordat, rather than the consequences of that.

**David Henderson:** No. The Scottish Government has an interest over the piece. The efficiency target is one element, but it is not an end in itself—it is part of the bigger picture.

**The Convener:** If you do have an interest, are you monitoring what is happening with the efficiency savings?

**David Henderson:** To the extent that they feed through to individual areas, yes, we see the consequences, and those can be discussed, as has been described.

11:15

**Colin MacLean:** We can give you some more information about the process. Councils and other bodies are telling us how they are generating savings and what they are doing that costs less money. My understanding is that they do not tell us what they do with that money, as it becomes part of their wider budgets. We can see what the total budgets are, but I do not think that we have any information on where, within those budgets, a particular £300,000 is used, for instance. It goes into the general pot of funds, which are then allocated.

**The Convener:** That is not the point that I was asking about. I was asking about how authorities make those efficiency savings and whether those savings are having an impact on the education services that are delivered by local authorities.

**Colin MacLean:** There would be a more general discussion about whether or not what was agreed in the concordat was being delivered. That would include educational services that it had been agreed would be delivered. However, that is different from considering the efficiency savings specifically, and how they were taken from the system. If such consideration led to a more general concern between ministers and local government about the delivery of agreed commitments, they would have a conversation about that, rather than a narrow conversation about the efficiencies process.

**The Convener:** I am sure that any further information that you could supply to the committee would be most welcome. Thank you very much for your attendance at the committee this morning.

11:16

*Meeting suspended.*

11:25

*On resuming—*

**The Convener:** I reconvene this meeting of the Education, Lifelong Learning and Culture Committee and welcome our second panel of

witnesses, who are from Audit Scotland. We are joined by Caroline Gardner, the Deputy Auditor General for Scotland and controller of audit; Graeme Greenhill, the portfolio manager with responsibility for children, education and lifelong learning; and Gordon Smail, the portfolio manager for local government. I am grateful to Ms Gardner for providing a written submission in advance of the meeting. I understand that she would also like to make an opening statement before we begin to ask questions.

**Caroline Gardner (Audit Scotland):** Thank you, convener. I will be brief. Audit Scotland works on behalf of the Accounts Commission and the Auditor General for Scotland and audits around 200 public bodies in Scotland including the Scottish Government and the 32 councils that make up local government in Scotland. We do that through three broad areas of work. The first of those is the annual audits of the finances of each of those organisations, which are reported every year in public. The second is the best-value audits of all 32 councils, which we have just completed, that look in the wider sense at what councils are achieving for their communities. The third is our programme of performance audit studies that aim to look in detail at policy areas such as the teachers agreement and development of the schools estate. Those studies can look right across the public sector and pull together how councils and the Scottish Government are working together with other partners. Today, we hope that we will be able to draw on our knowledge from those three broad areas of work to inform the committee's consideration of the budget. The information that we can offer will tend to be quite high level, looking across local government. Nevertheless, we hope that it will be helpful to you.

**The Convener:** Thank you for that succinct opening statement. I will start with a general question. In your view, does the new funding framework for local government provide clear lines of accountability for ministers and councils?

**Caroline Gardner:** In the context of your earlier discussion with representatives of the Scottish Government, our starting point is that the funding framework is not that different, in practice, from what went before. We are now seeing the Scottish Government and local government, in the form of COSLA, sitting down together and agreeing, on the one hand, the overall amount of spending that is available and how it will be allocated among the 32 councils and, on the other hand, the national priorities and the policy areas that will be delivered within them. The money is then allocated to councils on the basis of the funding distribution formula, and they are accountable to central Government through the single outcome agreements. There has been a reduction in the number of ring-fenced grants that are involved—

previously, about 75 per cent of grants were not ring fenced but now 85 per cent are not ring fenced, which is an increase of about 10 per cent. That means that there is less accountability for those funding streams; however, overall, the system is probably not very different regarding the remainder of the funding, which has always formed the bulk of it.

**The Convener:** You are probably right to suggest that issues of accountability over education spend are not new to the Parliament. The issue has been discussed since day 1, when the Parliament was established. Do you have a view on how we could improve parliamentary scrutiny of education spend? How can we ensure that the Parliament is able to access the information that it needs in order to make a decision on whether sufficient money is being spent on education?

**Caroline Gardner:** Not long before Christmas, we prepared for the Auditor General a report on Scotland's public finances, which looked at the broad question—across the whole £30 billion or so that is spent—of how Parliament is able to make choices about where the money goes, particularly in the context of declining finances, as opposed to the increases that we have seen since 2000. In that report, we recommended that much better information be provided on the links between spend, inputs and outputs and outcomes than is currently provided. The discussion that you have had this morning with Scottish Government colleagues has been helpful in pulling out the sort of areas in which that might be most useful.

Our view is that the concordat implies greater availability of information about what is being achieved with the money that is spent, but that that has not yet been fully developed in practice. That development was recommended in "Scotland's public finances: Preparing for the future", which we published back in November.

11:30

**Margaret Smith:** I will pick up on that point. You say that the concordat implies the need for more information about input and outcomes and about whether outcomes are being delivered. If that is not available yet, what more needs to be done and how long is that likely to take?

**Caroline Gardner:** The different bits of the system are not coming together. The system under which the Government agrees single outcome agreements with each of the 32 community planning partnerships is, however, now developing well. Year on year, reports are being issued on what has been achieved, with supporting indicators to show progress that has

been made in the activities that people undertake in order to achieve outcomes.

It would help us all to be a bit more explicit that outcomes are not separate from the services that local authorities and their partners provide and have always provided. Inequalities are reduced by improving the educational chances of all children, and particularly those who are in danger of being left behind. That is done through schools, additional support for learning and so on.

We do not have a way of making explicit enough how councils and their partners use what they already do and what they spend money on in support of improving outcomes for their communities. Councils all have a duty of public performance reporting as part of the best-value duties under the Local Government in Scotland Act 2003. One consistent message from our best-value audits, which the Accounts Commission reinforced at the end of 2009, is that much better performance management and public performance reporting are needed to show all of us, as electors, how well our councils are ensuring that all their services are joined up in support of achieving the priorities that they set themselves and agree with the Government.

**Margaret Smith:** We talked earlier about the impact of new policy initiatives on the block grant and how much that is taken into account—the examples that were mentioned were the curriculum for excellence, early years provision and class-size measures. How is the process working in practice? Is it as effective as it could be? Could it be tightened and made better for both partners—the Government and the local authority?

**Caroline Gardner:** The only way in which we can be sure about the evidence is to do a performance audit study. Back in 2006, we undertook a big piece of work on the teachers agreement and on whether the £2.1 billion that was spent on implementing that throughout Scotland had achieved the aims of the McCrone report and the agreement that followed it. We found that progress was broadly in the right direction, but also that there were some questions for the future.

In line with the recommendations that the Auditor General and the Accounts Commission made before Christmas, we would like councils and the Government to publish such information much more routinely as part of their public performance reporting. That should not require additional industry—they should need to know that information for their own purposes of planning and implementing how their services will run. New technology should make publishing that information much more possible in flexible ways that do not bombard people with great big reports that they do not want to read. It is reasonable for

the Parliament and for all of us as taxpayers to expect that information to be available, in line with the duty of public performance reporting.

**Margaret Smith:** I missed part of the first evidence session, when the comment was made that year-on-year funding is based on need and not on performance. Given councils' duties to achieve best value and so on, they must consider their performance in all sorts of ways.

One thing that has concerned a number of people about the move from an element of ring-fencing to just wrapping things up in the block amount of money is how we can be sure that the money is being spent on what it is meant to be spent on. If a decision is taken by the Scottish Government and possibly backed by the Scottish Parliament, people are happy for the policy to be taken forward. How confident are you that we have the systems in place to ensure that things are not slipping through the net? Before, there was a cast-iron guarantee: ring-fenced funding for, say, tackling domestic violence could be tracked to see whether it was spent by each local authority and what they spent it on. Now that we have moved away from that approach, how confident are you that the services are actually being delivered?

**Caroline Gardner:** We did some work on ring-fenced funding a couple of years ago. I will ask Graeme Greenhill to tell you more about the findings, but it is probably worth while to preface that by saying that I am not sure that ring-fenced funding is the only way in which to ensure that we make progress on priorities. That can also be done by estimating how much money is needed by each council, allocating that money, and then checking that they spend it in the relevant area. Alternatively, it can be done by saying, "We agree between us that this amount of money is sufficient throughout Scotland. Now you report on the progress that you are making. How you do it is up to you." The present Administration is taking the second route, and with proper performance reporting, it can be as effective. As I said, however, there is a way to go until the performance reporting does the job.

**Margaret Smith:** Before Mr Greenhill comes in, let us say for the sake of argument that the Government has had the discussions, made the agreement and said, "We're giving you this amount of money. We have agreed that this is something that can be delivered." What happens if the reporting mechanism finds that performance is not good enough or that the money has not been spent? We heard earlier that there are no sanctions. There is an element of carrot, although local government will tell us that the carrot is not big enough, but there does not seem to be any sense in which there are sanctions. If the Government makes an agreement and puts the

money in place but the work does not happen, what sanctions exist? What are the formal mechanisms to ensure that that does not continue to happen year on year?

**Caroline Gardner:** It is clear that there are no sanctions in the funding regime. As Colin MacLean said, it is based on needs that come from populations and not on rewarding good performance or punishing poor performance. The sanctions ought to come in through clear reporting of how well the council is doing on its range of commitments, which will then play in to the decisions that each of us makes as an elector at elections. I guess that there is a debate about whether that set of relationships is direct enough in a context in which 80 per cent of local government funding comes through in the block grant, and a debate about the concordat's requirement for local government collectively to deliver on the commitments to which it signs up. However, in the system that we have, that is not the way in which the funding system is being used.

It is also true, however, that we know that ring-fenced funding has not been terribly effective in the past. If it would be helpful, Graeme Greenhill can tell you a bit more about some of the problems that we identified.

**Graeme Greenhill (Audit Scotland):** Before I took up my current role a couple of months ago, I was the audit manager who was responsible for the audit of the Scottish Government's accounts. As part of the audit of the 2007-08 accounts, we undertook an exercise to look at how ring-fenced funding was being used. As Caroline Gardner said, the impression is that ring-fenced funding was a mechanism by which the Scottish Government controlled what local government was doing, but it was actually a fairly light-touch form of control. We looked at a sample of ring-fenced grants and found that a number of them were not specifically linked to clear statements of expected outputs and outcomes.

The Scottish Government's monitoring focused very much on what was being spent rather than on what was being achieved with that spend; there was limited evidence that the Government was carrying out regular performance reporting of what was being achieved with ring-fenced grants, and there was quite a lot of variation in how councils distributed grants. Given all that, I do not think that it was a mechanism of tight control.

**Margaret Smith:** Do you have any further thoughts on the question on statutory obligations that I asked earlier? It might be helpful if I repeat the question. People in councils have told us that there is flexibility over some elements of funding; however, they have no flexibility when it comes to, for example, statutory obligations, which they feel have to be delivered. If I was, say, a director of

education, how much of my budget could not be touched because of statutory obligations?

**Caroline Gardner:** As you might expect, we listened to that exchange with great interest. Our understanding is that what is fixed by statute is actually quite limited. We think that the broad extent of the statutory limitations is the high-level statutory duty to provide adequate and efficient education to young people of the appropriate age, and some quite limited restrictions on class sizes. Indeed, we think that the only statutory restriction is contained in regulations from 1999, which limit class sizes in P1 to P3 to 30 pupils. Obviously many duties related, for example, to health and safety. Other requirements also play in, but they tend not to be quite as clear in their application as the two that I mentioned.

Other requirements also have to be taken into account; for example, teachers' terms and conditions contain expectations with regard to maximum class sizes but, again, they tend to be quite broad. Teachers' conditions of service set out an expectation that class sizes in P4 to P7 should not exceed 33 pupils but, given the direction of travel on class sizes, I do not think that such things have had an impact in many schools.

However, what also come into play are the things that are not easy to change in the short-term. The shape of the school estate and factors such as the number of schools, their location and their flexibility will be different in each council and will affect a head teacher's approach to staffing, the flexibility to deliver different types of teaching and so on. Moreover, as our Scottish Government colleagues pointed out, the current commitments for repaying debt or making private finance initiative payments will be different in each council, but will be fixed over a period of time.

There are also things such as the shape of the curriculum, the move from individual teaching to team teaching and support services that could be changed, but only with difficulty, over a one or two-year financial planning period. Directors of education in councils are absolutely right to say that in the short term their room for manoeuvre is very limited, but it is probably fair to say that that is mostly down to the current shape of the education service, not to statutory requirements.

**Margaret Smith:** That was very helpful.

**Ken Macintosh:** Just for clarification, does Audit Scotland examine whether individual local authorities—or indeed local government collectively—spend public funding for education on the national Government's education priorities?

**Caroline Gardner:** They do not do so in such a narrow sense. We have completed our first phase of best-value audits for all 32 councils and are now testing an approach that is based on that baseline

and which will look broadly at what councils are achieving for their communities and how effectively they are meeting the best-value duties of economy, efficiency and effectiveness and continuous improvement.

In practice, we take as a starting point how well councils understand the needs of their local communities, what they have agreed with the Scottish Government in their single outcome agreements and how they take account of things that must be tackled such as their attainment levels, particular pockets of underachievement that need to be addressed and children with wider needs. We assess how well councils are using all that information to plan their education services, their wider children's services and the other things that they and their partners have to do to address those needs.

11:45

In our best value 2 audits, we are working much more closely with our colleagues in the inspectorates, particularly Her Majesty's Inspectorate of Education. We are currently undergoing a process of shared risk assessment for all 32 councils to get that set of needs and achievements on the table so that we can plan what we should be doing when we audit and inspect them in the future. It is fair to say—to be frank—that we struggle most in making value-for-money assessments of how well councils are doing. These days, in most councils, we can pretty readily show trends in how services, attainments and outcomes are improving; however, it is much harder to show whether that is being achieved at the best value for money because of the range of different circumstances that each council faces.

**Ken Macintosh:** That information would shed some light, but you do not collect data on specific policies such as the class-size policy or teacher numbers.

**Caroline Gardner:** No.

**Ken Macintosh:** Do you compare councils' efficiency in specific policy areas such as, for example, additional support for learning? Do you assess and monitor what a council is achieving for the money that it is spending on additional support for learning?

**Caroline Gardner:** We do that most thoroughly through the performance audit programme, which I touched on at the beginning of this session. We undertook a study back in 2005 that looked at the policy of mainstreaming children with additional support needs in mainstream schools. That study produced quite a lot of comparative information about both how well councils were doing and how much they were spending on the policy. Such information can inform the kind of value-for-money

and efficiency judgments that you describe. However, because of the gaps that currently exist in public performance reporting, we usually have to undertake a study before we can make such judgments on a comparative basis—we cannot look across the publicly available information and do that more regularly.

**Ken Macintosh:** One of the committee's frustrations—indeed, one of the reasons for our inquiry—is the fact that we find it difficult to access information on how much each local authority is spending on, for example, additional support for learning or continuing professional development for teachers. You are suggesting that that information is also not available to you or to the public and that you would have to initiate a specific piece of work on an ad hoc basis, once every five or 10 years, to extract that information.

**Caroline Gardner:** That is exactly right. At the moment, our studies programme is aimed at answering that sort of question, and our studies are carried out on a planned cyclical basis. We think, however, that there is a strong case for more information routinely being placed in the public domain because councils and the Government need to be able to demonstrate the progress that is being made on their big policies. That would obviously make it easier for us to make regular value-for-money and efficiency judgments about that work.

**Ken Macintosh:** Again taking additional support for learning as an example, do you get the impression that, not using published information, but through such exercises as teacher swaps, education official exchanges or whatever, councils routinely try to measure their comparative success and efficiency in that area? Do they routinely compare what they are doing with national expectations that are set by the Government and approved by the Parliament?

**Caroline Gardner:** We think that that is patchy. Some councils are good at it, either at a council-wide level or through the leadership of individual professional groups, such as teachers, who have a particular interest. However, one of the high-level findings of our best-value work is that there should be more of that sort of benchmarking and learning. Gordon Smail may want to add to that as he is the person who pulls together our annual overview report across the piece.

**Gordon Smail (Audit Scotland):** That is a recurring theme in much of the work that we do. In fact, one of the fundamental principles of best value is the ability to demonstrate how a council compares with others. As auditors, we would ask councils to demonstrate how they knew that they were performing to the highest levels and whether they were comparing themselves with other

councils in comparable situations. We would certainly promote that.

Additional support for learning has been discussed. We have a study on the go at the moment on residential care for looked-after children. Although it is not looking in particular at additional support for learning, I know from speaking to one of my colleagues yesterday that it will pick up an element of that. The study will provide interesting information on the general position in respect of demand-led services, which have been mentioned a couple of times this morning, and some of the challenges that councils face in dealing with those. That is relevant to the issue that you have raised.

**Ken Macintosh:** My next question concerns areas in which we might push for further development. Clearly, there is a danger of making harsh and unfair comparisons of councils. Some councils have a lot of mainstreamed ASL work but others have special schools—we are not comparing like with like. However, at the moment no information is published regularly: the Education, Lifelong Learning and Culture Committee, let alone members of the public, cannot find out immediately how much is being spent or how many additional support for learning workers there are in a school, an authority or across the country. Is it fair to say that that information is not available at the moment?

**Gordon Smail:** Yes. You made a point about the context, which will play through any comparisons that can be made. In our view, it is worth doing the comparisons, but we must understand the context. Where there is valid comparability between one set of circumstances and another, we should explore that further. Councils are concerned that there will be an immediate shift to league-table-type thinking and that the context will be lost. However, we expect councils to do such work as part of best-value audits, to explore why there may be differences and to try to learn from them, as an entry point for exploring issues such as the relative costs of service provision. There are good reasons why costs may be different; information about that should be seen as entry point for exploring why such differences exist. Councils should speak to one another so that they can understand what is being done differently and is making a difference elsewhere. It may be more efficient or be producing better outcomes.

**Ken Macintosh:** We take on board your warning about league tables—that is why I included a caveat in my question. However, we cannot tell even whether one authority is increasing or decreasing its budget in a certain area. Anecdotally, all of us are aware that teacher CPD is being cut across the board, but there is no

information that could confirm that one way or another, or tell us what impact it is having on our children's education or teachers' development. Is that correct?

**Caroline Gardner:** You are right in respect of the budget information that is published, which tends to be high level—for good reason. It would be difficult to break down the information to cover the whole range of things that councils do without swamping everyone with information and putting a huge amount of effort into preparing it. At the same time, when a council or any public body is setting a budget, it is important that it start off with a statement of its priorities. It should then go through a process of identifying the best way of achieving those priorities and identifying what is achievable and affordable. Doing that in a way that is reasonably transparent is absolutely in line with the duties of councils, as democratic organisations, under best value. It becomes all the more important in the context of a concordat that puts in place a high-level agreement about priorities between the Scottish Government and individual councils and their partners.

We expect the arrangement to evolve over time, but for a while we have reported that public reporting is not keeping pace with the need for accountability about what each council, with its partners, is achieving for the local community. That becomes tougher in a climate of declining financial resources.

**Ken Macintosh:** Absolutely. You said that the only sanction is through reporting. If information is not reported, there is no sanction.

I want to ask you about a larger subject: education spend. This is not an argument about whether ring fencing is good or bad, but my impression is that education budgets as a proportion of local government spend have declined since ring fencing was lifted. In other words, before the concordat was signed, education budgets were protected in each local authority. Since that protection has been lifted, the budgets have been under pressure, as we would imagine. Do you collect information on whether that is the case and on the impact on education budgets of the concordat and the abandonment of ring fencing?

**Caroline Gardner:** As you would expect, we keep an eye on the trends in local government expenditure. The figures that I have with me are probably not detailed enough to answer your specific question, but over the five years between 2003-04 and 2008-09 total local government spend on education increased by 25 per cent in real terms—an average annual increase of 5 per cent. I think that our figures show that there was still an increasing trend between 2007-08 and 2008-09. I do not have figures for 2009-10, but we

can certainly find out what information is available based on outturn up to the end of 2008-09 and budgets for the current year up to the end of 2009-10.

The figures that we have suggest that there is no association between the removal of ring fencing and a decline in education spend; that spend appeared still to be increasing at the time ring fencing was removed up to the end of 2008-09.

**Ken Macintosh:** It was increasing at the time it was removed, but I thought you just suggested that you do not have any figures for what has happened since it was removed.

**Caroline Gardner:** The concordat was signed in September 2007 and the figures that I have with me run up only to the end of 2008-09, which is clearly a narrow overlap. We are now into 2009-10, and budgets are being set for 2010-11.

Up to the end of 2008-09, there was no decrease in funding for education from the time the concordat was signed and introduced, but that is a short period of overlap with the five years that the figures cover. That is the reason for my caveats.

**Ken Macintosh:** There are two questions that I would like to ask. One is on education spend in absolute terms and in local government, the other is on it as a proportion of local government spend—the proportion spent on education within local authorities. Given that we have lost 2,500 teachers and 1,000 classroom assistants over two years, I would be absolutely amazed if the figures did not show a decline.

**Caroline Gardner:** We can write to you with more detail, but the figures that we have here show that, across the five-year period from 2003-04 to 2008-09, education spend increased by 25 per cent in real terms as an amount and that it increased slightly from 28 to 31 per cent of local government expenditure. As I said, we can give you more detail on that, but those are the figures that we have with us today.

**Ken Macintosh:** I am not surprised by that in the context of a ring-fenced budget, because at the time the overall budget was growing and, as education spend was ring fenced within that, I would expect it to grow. However, I would be surprised if that was still the case.

**Caroline Gardner:** May I just clarify that the education budget was never really ring fenced in the overall budget before the concordat? The amount of ring-fenced funding was always pretty small. A large element of GAE was linked to different elements of education spend, but GAE is not the same as ring fencing.

**Ken Macintosh:** That is interesting. I suppose that this is a historical question: what was ring fenced? We talked about ring fencing education budgets—I know that in my local authority education spend was ring fenced and protected.

**Caroline Gardner:** It may have been protected in your authority. In the overall allocation of the revenue support grant to councils, GAE is used to agree how much should be allocated to each council, based on a formula that approximates need for education and other services. Up to the introduction of the concordat, the way in which 75 per cent of that money was spent was never ring fenced, and the amount ring fenced for education was always at the margins. Since the introduction of the concordat, the amount that is not ring fenced has increased to 85 per cent. Any ring fencing has been at the margins.

12:00

**Ken Macintosh:** I am probably being too inaccurate in my use of the term. Education budgets were protected from efficiency savings—every other department had to make efficiency savings, but education departments were not obliged to. That is not quite the same thing as ring fencing, in the sense of a hypothecated grant. Could you supply us with more information on that? The issue is interesting and it would be interesting to have it illuminated. It would help us in our quest to improve accountability, which is what we are trying to do, as well as to address policy issues.

**The Convener:** I would like to follow up on some of Mr Macintosh's earlier questions, particularly around educational outcomes as they are established by local authorities' community planning partnerships. How well is that system working? Are those outcomes allowing you to make an assessment of whether councils are achieving their educational goals? Are they currently fit for purpose? If not, what could be done to make them better?

**Caroline Gardner:** The honest answer is that it is too soon to say.

We know that shifting outcomes will take a while, for very good reasons: if you want to improve the life chances of children, you will work on that throughout their childhood and will be engaged in efforts in a range of areas, such as improving the quality of teaching in schools and the support that families get, providing free school meals and ensuring that they have access to health care. Because of that, you will not be able to be sure about the impact that you are having until 10 or 15 years have passed. However, we want there to be much more explicit plans about how each council and its partners expect to



achieve those outcomes over that period. They cannot do that as something separate from everything else they are responsible for; they must do it through their planning and management of schools, their development of teachers, their work with the health service and their provision of other sorts of support to children and their families.

We are not yet seeing routinely a clear statement of how everything councils do is lining up to drive an improvement in the outcomes that they have agreed should be the priority for their communities. We are not saying that that is easy—obviously, it is a tough thing to do—but it is what public services are there for, and an explicit statement of the sort that I have described would be a powerful tool to help improve the chances of all communities, particularly the most deprived ones. We want to see more explicit evidence that that is the way in which councils and their partners are going about their planning.

Gordon, do you have anything to add to that?

**Gordon Smail:** Having got to the position that we are in, we are calling for systematic ways of measuring performance. At the outset, councils must be clear about what they are trying to achieve through outcomes. Following that, they must put in place robust measures for performance against those outcomes, establish systematic processes for gathering the information and make that information available publicly so that Parliament and the public can see how much progress has been made.

**The Convener:** Is there a need, as part of that process, for output baselines so that you know what local authorities are doing and can judge whether the overall policy objectives are being met, even incrementally, over a period of time?

**Gordon Smail:** Absolutely. Baselines are essential in what I have just described. Whether you are talking about service performance or the cost of services, to make that comparison and show improvement you need to establish baselines against which you can measure progress and subsequently report in public. That gives you a sense that you are achieving best value through continuous improvement. If that sort of verifiable information is available, it makes our life as auditors a lot easier and means that we can form judgments. In the absence of that information, we are left having to deal with the underlying systems.

**The Convener:** Do any of Scotland's local authorities publish education outputs that enable you to make those comparisons and see the progress that is being made?

**Gordon Smail:** I will use a phrase that Caroline Gardner used earlier: it is patchy. The issue is about the quality of public performance reporting

and having honest and balanced reporting on how councils are doing in delivering vital public services. We use the words "honest" and "balanced" because, when we examine public performance reporting as part of our best value audits, we find that the approach of being open about what has been achieved and what still needs to be done is not adopted consistently in all cases. However, the situation is patchy. Some councils are making good progress, but many more must do more to make that information available to people.

**The Convener:** What can be done to ensure that the situation is no longer patchy across the country? What is required to ensure that all local authorities measure their outputs and outcomes?

**Caroline Gardner:** That is a good question. We have the power of publicity. We have reported on how well all 32 councils are doing. As Gordon Smail said, one recommendation that is often made is that there should be better public performance reporting. We pull those reports into an annual overview report that summarises the key themes across the 32 councils. It is also important that committees such as this one ask for more information about what is being achieved in particular service areas. Councils are not accountable to the committee directly, but it is entirely proper for the committee to take an interest in what is being achieved with the public money that is spent. Further discussion is probably required between the Scottish Government and councils on what is needed to underpin the concordat and single outcome agreements to ensure that everybody can see the progress that is made and the areas where more needs to be done.

**The Convener:** Liz Smith has some questions.

**Elizabeth Smith:** My questions have all been answered, convener.

**The Convener:** Right. Aileen Campbell is next.

**Aileen Campbell:** Mine have been answered, too.

**The Convener:** They have all been answered—that is great.

I have a final question, although the witnesses might choose not to answer it. Given that, in the current environment, it is likely that overall budgets to local authorities will be reduced in the next few years and that a reduction in education spend in Scotland will inevitably follow, is it still reasonable to expect to deliver continuous improvement in educational attainment?

**Caroline Gardner:** At this stage, there is no reason to accept that we should abandon that aspiration. We spend about £5.5 billion each year on education and other children's services. There

is a lot of variation between councils on the absolute level of attainment and the rate at which they are improving. For example, Glasgow City Council, which historically has had low levels of attainment, is increasing the levels relatively quickly. That takes us back to the earlier question about how councils and interested outsiders can achieve a much better understanding of what underpins such differences and of how councils that are not doing so well can learn from those that are doing much better. Money might become so tight that we have to become less ambitious but, so far, I think that we are a long way from that point.

**The Convener:** I see that Mr Macintosh wants back in—I have opened up a whole new line of questioning.

**Ken Macintosh:** No, convener, I wanted to ask this question earlier, but I forgot. The figures that are reported to the Government include the provisional outturn budget estimates and the local government financial return. The Government does not collect that information, but it has it and the earlier witnesses said that the information informs them. Is that information useful in relation to the accountability of local authorities in delivering education and is that process the best way in which to gather information?

**Caroline Gardner:** The information is useful and could be used more than it is at present, but its usefulness for budget setting is limited by the timing considerations that the earlier witnesses mentioned. I will duck the question and hand over to Graeme Greenhill, as he knows much more about the issue than I do.

**Graeme Greenhill:** As Caroline Gardner said, timing is a key issue. As I think David Henderson said, the local government financial return is an after-year report, so it is of limited value as a means of informing budgets for the next year, particularly in the parliamentary setting, because the Scottish Government has already set its budget. However, the information could be of use, as the timing more or less corresponds to when the Parliament considers the autumn budget revisions. It would also be useful for the year after—the next but one year's budget.

There are several challenges attached to using the information. At the lower end of the scale is the fact that the local government financial return is based on unaudited information that is supplied by the councils, so there is always the potential for the actual outturn figures to differ from the return. There are also compatibility issues because of the way in which the information is provided to the Scottish Government. The information that is recorded in the return is not compatible with the grant-aided expenditure classifications that the

Government uses to determine the total budget and how it is distributed to individual councils.

Another issue is about what budgeting information you would compare the return against. Obviously, the return records all education spend but, as we heard earlier, the money that Government provides to local authorities by way of grant is in the form of block grant, ring-fenced funding through the education department and certain other aspects of money that the education portfolio spends. There are a few challenges there.

Finally, the local government financial return, as the name suggests, provides only financial information and says nothing about what has been achieved with the money. For example, there is no way of linking spend on primary education employee costs with progress on reducing class sizes in primaries 1 to 3.

**The Convener:** That concludes our questions. I thank the witnesses for attending and for responding to our questions. You have given us interesting information and evidence on which to reflect.

We now move into private session.

12:12

*Meeting continued in private until 12:42.*

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