The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

FINANCE COMMITTEE

Tuesday 20 April 2010

Session 3

Printed and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by RR Donnelley.

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FINANCE COMMITTEE
10th Meeting 2010, Session 3

CONVENER

*Andrew Welsh (Angus) (SNP)

DEPUTY CONVENER

*Tom McCabe (Hamilton South) (Lab)

COMMITTEE MEMBERS

*Derek Brownlee (South of Scotland) (Con)
*Malcolm Chisholm (Edinburgh North and Leith) (Lab)
*Linda Fabiani (Central Scotland) (SNP)
*Joe FitzPatrick (Dundee West) (SNP)
*Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD)
*David Whitton (Strathkelvin and Bearsden) (Lab)

COMMITTEE SUBSTITUTES

Gavin Brown (Lothians) (Con)
Lewis Macdonald (Aberdeen Central) (Lab)
Stewart Maxwell (West of Scotland) (SNP)
Liam McArthur (Orkney) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Sir John Arbuthnott
Robert Black (Auditor General for Scotland)
Caroline Gardner (Audit Scotland)
Anne Houston (Children 1st)
Colin Mair (Improvement Service)
Don Peebles (Chartered Institute of Public Finance and Accountancy)
Jack Perry
Professor John Seddon (Vanguard Consultants)
Ben Thomson (Reform Scotland)

CLERK TO THE COMMITTEE

James Johnston

LOCATION

Committee Room 2

Scottish Parliament

Finance Committee

Tuesday 20 April 2010

[The Convener *opened the meeting at 14:29*]

Budget Strategy 2011-12

The Convener (Andrew Welsh): Good afternoon and welcome to the Finance Committee's 10th meeting in 2010, in the Scottish Parliament's third session. I ask everyone to turn off mobile phones and pagers.

Agenda item 1 is the continuation of evidence taking for our inquiry into efficient public services. We have two panels of expert witnesses for the meeting. The broad theme is measuring and improving efficiency, but members and witnesses will no doubt have other issues that they would like to explore.

I welcome to our committee the first panel of witnesses, which comprises Robert Black, who is the Auditor General for Scotland; Caroline Gardner, who is the deputy auditor general; Sir John Arbuthnott, who is the author of the Clyde valley review of joint working and shared services; Ben Thomson, who is Reform Scotland's chairman; and Jack Perry, who is Scottish Enterprise's former chief executive.

As I said, the broad theme of today's meeting is measuring and improving efficiency. We have about an hour to discuss the issues with each panel. I will start the session. Given the predicted extent to which expenditure will be tightened, will strengthening existing measures to improve public sector efficiency suffice or is a more radical approach required? Who would like to take on that question?

Sir John Arbuthnott: I will make an introductory comment, which I will try to keep brief, as we do not have much time.

I have been involved in assessing the impact of the much-reduced future funding for public sector bodies since March 2009, when I was asked to act as the independent chair of the review that you mentioned, convener. The eight councils of the Clyde valley—together with the partners in the community planning partnership, which include the police, the transport organisation, fire and rescue services, health services and the enterprise body—foresaw quickly the likely effects of the constraints. They asked me to conduct a rapid review—I was given seven months to do it—and to consider joint action in particular. That is a big challenge for eight local authorities that differ in their diversity, size, population, funding and politics. Members might have noticed that not everything is sweetness and light in the Clyde valley's political framework, so the task was a challenge.

I covered all aspects of services and organisation and I published the report at the end of November 2009. I am pleased to say that, despite the variety in the group, which I mentioned, the council leaders and chief executives rapidly accepted the document as a framework for action. I have submitted a summary of what has been done since the report was published. I stood down at that point, but I will go to the area this week to assist with initiatives on the integrated delivery of health and social care, which is a major framework item. The group is progressing seven work streams, which is encouraging. By the middle of this year—by July—we will begin to see the first signs of definite business plans and definite plans for action.

That is where we are. In the area in which I have worked and, I am sure, in other areas—I have heard Forth valley and the Lothians talk about it—the challenge that you outlined in your introduction is widely appreciated. Organisations realise that they must do something different—that doing the same things and making salami-slice cuts will not work. That is my starting point.

The Convener: Do you describe what you have done as strengthening existing measures or something much more radical?

Sir John Arbuthnott: It must be much more radical. Your initial comment was about efficiency. My simple working model involved the cash that is available in various forms to support public sector services and whatever we use to measure efficiency. Multiplied together, those two elements roughly define the delivery.

If the cash is reduced to the extent that we think it might be, we will have to do something really different—such as working as a group of eight rather than individually—to increase efficiency. I will give a rough analogy. The elastic band that I am now stretching represents the country's finances stretched to the limit. If we add two, three, four or eight more elastic bands, we have much more resilience. We must do something different to achieve that resilience.

The Convener: Health and safety—you had me worried there.

Ben Thomson (Reform Scotland): Your question was whether we can make sufficient efficiency savings to cope with the potential deficit, and I believe that the answer is no. The reason is not that efficiency savings are not a good way to proceed, but that they do not necessarily scratch the surface of the problem.

Audit Scotland's report identified a number of efficiency savings that will approach £1 billion, at best. Even if we put in place all those efficiency savings, that will not go far enough towards closing the deficit. We do not have the figures, but if we take the United Kingdom's deficit as a benchmark, the UK is spending £670 billion versus raising £490 billion; that gives a deficit of 35 per cent, so the UK Government is spending 35 per cent more than it is raising. Applying that percentage to the Scottish budget will mean a deficit of £10 billion that needs to be closed. I grant that, if we do everything right, it is worth considering the figure of £1 billion savings, but it goes nowhere near what needs to be done to close the gap. The only way in which the gap can be closed, as Reform Scotland suggested, is by making significant structural changes, which need to be much more radical than just tinkering to make things slightly more efficient.

Robert Black (Auditor General for Scotland): I am afraid that my message is equally pessimistic about the future. The short answer to the convener's question is that I support the comments that have been made to the effect that we need to go beyond the comparatively successful efficient government programme that has been running for the past few years and which is still running. The programme has delivered a great deal and in a moment, if I may, I will invite Caroline Gardner to give the committee a reminder of Audit Scotland's findings in that area.

In the report that we produced at the turn of the year on Scotland's public finances, we lined up broadly with the Centre for Public Policy for Regions and the Institute for Fiscal Studies analysis, which projected a spending gap of somewhere between £2.1 billion and £3.8 billion. Since then, most expert commentators are thinking that a more pessimistic scenario is more likely than an optimistic one. We should take that as a starting point.

The Scottish Government's target is to get £1.6 billion out of its on-going cash-releasing efficiency programme by the end of 2010-11. We do not know what will be in the spending review, but it seems clear that public finances will be in a difficult position going forward.

We tend to concentrate on the resources that might be coming for public services in the future, so, in the report on Scotland's public finances, we tried to look at the other side, or the spending commitments. We tried to bring together in one report a high-level summary of the pressures that arise from unavoidable commitments, such as the ageing population, the costs associated with deprivation and unemployment, the costs of pay deals, not least in the national health service, energy costs, drug costs, the cost of meeting the European Union waste directive targets by 2020, the combined costs of private finance initiative contracts, non-profit-distributing commitments and capital charges, the build-up in costs of commitments to free services and, last but by no means least, the backlog in the maintenance of the physical estate, which is quite significant at around £4 billion.

We have had 10 years of 5 per cent real growth per annum, and at the end of that 10 years, the Audit Scotland reports indicate that the maintenance backlog is still £4 billion, so what does that imply for the future? In addition to the points that have been made already, we need to look seriously at how we can manage the physical estate across Scotland.

Caroline Gardner (Audit Scotland): I will add brief comments on efficiency savings to what the Auditor General has said. You are getting a consistent picture from witnesses that efficiency savings will not be enough in their own right; equally, our report on the efficient government programme was clear that we cannot afford to ignore them.

The three priority areas of procurement, asset management and shared services accounted for about 30 per cent of the £840 million of efficiency savings that were reported in 2008-09. Shared services were a very small element in their own right, and there is a clear link into Sir John Arbuthnott's report for the Clyde valley partnership about the potential that may exist for greater efficiencies through sharing services. However, even the much easier pickings in procurement and asset management are by no means easily spread. We were not able to find a clear pattern from bodies in any sector, particularly local government and health, that the amount of efficiencies that people had managed to release related to the amount that they spent or the types of goods that they purchased.

There is still room to generate real efficiency savings, but we must recognise that in future they are unlikely to be enough on their own. However, they are likely to be easier to achieve if people can achieve the success that good public bodies have already achieved across Scotland.

Jack Perry: In my experience of 34 years—28 in the private sector and six in the public sector—there is a mindset in the public sector that looks at incremental improvement rather than radical and transformational improvement. Successful companies, such as the Weir Group and Rolls-Royce in East Kilbride, have transformed turnaround and production times, some of them from months to days. That kind of radical change is needed in the public sector.

There are some good examples of that in some of the evidence that has been provided to you. The report from the Confederation of British Industry included a number of examples of where that has happened in the public sector, but generally speaking the mindset is that a body needs to change by only 5 per cent—to trim costs and cut budgets by 5 per cent, for example. That kind of solution will not work.

Where is the thinking that will take the months of certain processes in the public sector and transform them into days? I have seen similar statistics in road maintenance, in which jobs that take three weeks can be turned round in 12 hours in somewhere such as Singapore. Who is thinking along those lines, and what is the incentive for them to get more for less?

We can get more for less. There seems to be the mindset that says that, if the budget is cut, we have to cut service, whereas companies have demonstrated most emphatically that that is not the case. We can cut cost and improve service and customer satisfaction at the same time—they are not mutually exclusive.

Ben Thomson alluded to the structural implications in Scotland of the current situation. Scotland is horribly fragmented, with 32 councils, health authorities and police authorities. When we try to work across such a small country with 5 million people on something that is genuinely pan-Scotland, in the current structure we end up with some horribly overengineered partner engagement. Everything takes desperately long to be done when multiple bodies need to liaise and be represented, so simplification is long overdue. I know that that is politically unpalatable, but I do not think that you have the luxury of time to dodge the question any longer.

The Convener: It is clear from what you have said that incremental change is not adequate. Radical change is therefore needed. The question is: what does that mean in practice?

We move to questions from members.

Derek Brownlee (South of Scotland) (Con): I want to pick up on the last point that Jack Perry made about incentives. I suppose that there is a distinction, because everyone understands the financial incentives that there are in the private sector if one can reduce operating costs and retain customer satisfaction. How can incentives be introduced into the public sector? A lot of people in the public sector say that they are motivated by different things. How can we align the incentives so that what the public see—the service that they receive—is no worse or is even better? How can we ensure that delivery organisations are incentivised to maintain or improve services rather than simply say, “We’d love to be able to do more but the budget has been reduced, which is someone else’s fault”, which is easy to say? Whichever part of the public sector we are talking about, how can we get everyone in the organisation aligned with the objective of delivering better services at lower cost? There was nothing to stop that happening when budgets were increasing, other than the fact that that was not the dominant ethos and culture. How can we make it the culture?

14:45

Jack Perry: I am talking about not individual but organisational incentive. If we do not change the structure, I suppose that we have 32 examples, which all perform at different levels of effectiveness and efficiency, so we know which is the best in breed. I would envisage some form of incentive whereby organisations that genuinely deliver much more for less—maintaining customer satisfaction, delivering better service and demonstrating improved productivity—are rewarded through better settlements than are available to organisations that have plainly demonstrated that they just cannot do it. Such an approach provides great incentive, because services in certain areas start to suffer by comparison.

Derek Brownlee: Such an operating model would involve councils being assessed against comparator councils and health boards being assessed against comparator health boards. Are sufficient data available or potentially available to allow such a degree of benchmarking? It seems intuitively true that every council is not as efficient in every area as all other councils are. The work of the Accounts Commission for Scotland and Audit Scotland has involved huge investment in trying to assess efficiency. Have we reached a position at which we can get information at a level that would enable us to operate the incentives that Mr Perry is talking about?

Robert Black: A recurrent theme in our reports over the years is that the public sector needs to get much better at gathering the management information that will allow organisations to drive towards the ultimate goal of best value in public service. We frequently comment in our reports that public bodies need to get much better at relating the cost information that they use to activities, quality of service and outcomes. I have been in my role for some years, as committee members know, and I am struck by the fact that the issue continues to be a significant problem in Scottish public bodies in general.

Derek Brownlee: What is the answer?

Sir John Arbuthnott: I can augment Mr Black’s response. For seven months I was intensely

involved with eight local authorities, and when it came to synthesising the information, it was surprisingly difficult to get the data that I needed to enable me to make recommendations across the piece. That should not be the case in the present day. Progress has been made on the health budget, because that budget is governed in Scotland by a needs-based formula—the formula is not perfect, and I do not know what Audit Scotland would say about it. I was struck that in local authorities getting the data that I needed was much more difficult than I expected it to be.

Ben Thomson: An issue that we encountered was the consistency of information. This applies across the Scottish Government and local government: what gets categorised into what area changes every three or four years, so it is not easy to carry out a long-term analysis. Policies keep changing, thereby making things very difficult.

One of the biggest incentives—in the private sector and in the public sector—is devolved responsibility, so that people can be accountable and take the rewards or be held to account if things go wrong, in a much more devolved way, both at local level in local government and where services are provided. We should not always think of incentives as being financial; people are motivated by the opportunity to take responsibility.

Caroline Gardner: I can perhaps give a practical example of how—notwithstanding the caveats that colleagues have raised about the overall availability of information on how public services are performing—it is possible to make use of the available data and, by subjecting them to the right degree of analysis, come up with some interesting questions that a strongly managed system should be able to tackle. An example is provided in our "Review of orthopaedic services", which we produced for the Auditor General and on which we briefed the Parliament's Public Audit Committee last week. Although orthopaedics is relatively easy to examine because the units of activity involved are much clearer than might be the case in other health service areas—I absolutely concede that point—it was relatively straightforward for us to see, first, that funding levels have increased much more quickly than activity levels over the past few years and, secondly, that there are very significant differences in activity and productivity levels across Scotland.

Some of our work demonstrates where real variations exist among public bodies. That could be used to inform either the way that the incentives work, as Jack Perry has suggested, or the way that the system is managed, which would perhaps be more in line with the approach that is currently taken within public services. Despite the difficulty of the analysis, I think that progress could be made that would have benefits in its own right.

Jack Perry: One example that is well within the remit of the Scottish Government is the "Management and Administration" line that appears in the standard annual report pack that every departmental and non-departmental body is required to prepare. The definition of "Management and Administration" and how that is applied is completely inconsistent across the organisations. In Scottish Enterprise, the employment costs for all our operational staff were included in that line, including our account managers and our field staff in Scottish Development International. That would be like including doctors and nurses in the equivalent line for the health service. That means that people have no clear vision of what their actual management and administration cost is, because they are comparing apples and oranges. The Parliament now has an opportunity to be more prescriptive in determining what we want to understand under that "Management and Administration" heading. At the moment, I do not think that the Parliament is getting that information.

Robert Black: Jack Perry makes a fair challenge to us, but it is important to emphasise that progress is being made on some of those issues. We led a benchmarking initiative for corporate services in the public sector as part of a partnership that involved the audit agencies in other parts of the United Kingdom. That has been pretty successful as a catalyst in developing good benchmarking for corporate services in the Scottish public sector and in the Scottish Government. It is not all doom and gloom out there, as we are making progress. However, that does not wholly answer the question about how we incentivise the system to move much faster and more effectively in those areas.

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD): During an election campaign, I guess that it is quite easy for people to be knocked off with rhetoric and hyperbole, but a continuing refrain over the past 10 days or fortnight has been that there is a lot of waste that could be cut out to pay for either tax cuts or new services. I am interested in that language about waste. How much waste is there in Scotland's devolved budget?

Sir John Arbuthnott: Convener, while the Audit Scotland people are thinking about how to answer that question, let me just say that I think that the term "waste" is a useful political word that does not actually mean very much. In light of the complexity of the things that local authorities, health boards, the police and other public bodies do—although there is no doubt that we could and must do things

better—I highlight the one sentence that appears in bold in my report. It says that, before local authorities can justify cuts,

"they must demonstrate that they are squeezing the most benefit and savings out of the organisation's assets and resources."

In other words, it must be a given and an assumption that we will remove waste. However, "waste" is a provocative and useful word for politicians, but that does not actually help us to do what we are trying to do.

What Jack Perry said about urgency is terribly important. In the public sector, we are very used to reports coming in long after the event, plans being laid two or three years in advance and the annualisation of budgets, which is not helpful. We should think three, five and 10 years ahead in terms of sustainability. Simplification of the process is absolutely essential, because we grind through processes and waste a lot of effort.

Robert Black: May I come at the question, having had an opportunity to think about it? If I may, I will elide the question into how much discretion public bodies have to bring down their costs. Caroline Gardner partly answered the question about waste by referring to progress with efficient government and the opportunity to do more to release cash savings—that programme should continue. However, the discretion that public bodies have is quite an interesting issue, which will be important when we talk about taking out—as in all probability we will have to do—significant sums of money.

In our report on Scotland's public finances, there was an exhibit in which we simply captured the breakdown of Scottish public expenditure: staff costs are 52 per cent of the total; servicing capital projects and capital costs is 19 or 20 per cent; and the balance of about 20 per cent is on goods, services and front-line delivery. Of course, the national health service and all public bodies need resources. We must therefore seriously consider just how much discretion is available to managers to move on those things. Quite properly, the Scottish Government, councillors and so on have policy commitments that they require to be met, not least with regard to the management of staff and so on.

I suppose the high-level answer to the question whether we could get more money out of the system is yes. If I may say so, however, that will require joint leadership by people such as members of the Scottish Parliament and senior managers and civil servants in looking at where we can get the costs down in the big blocks of spending.

Jack Perry: A lot can be saved, and a lot can be done about wasteful administration and bureaucracy. However, I get a bit concerned about the sacred cows—for example, when we say that spending on health and education will not be touched. The definition, or essence, of productivity is that we must get more for what we currently spend. Unless we address the front line—the delivery of service—we will not be able to make the scale of savings and changes that we need. If there is any one message to get over, it is that lower spending does not necessarily mean poor service; in fact, if we can eliminate unproductive processes and re-engineer processes, we can get better service for less spend.

We must look at better and smarter ways of delivering the service. Just throwing more money at it, as we have been doing since about the 2003 budget when we unleashed public spending, has not delivered higher productivity. Lower spending and higher productivity has to be the way, as must not having sacred cows. We can save so much in management and administration, but to tackle the issue we must improve productivity in the delivery of service—there is nowhere else to go.

Ben Thomson: I want to put forward a few numbers, which might be helpful. The political parties are proposing general figures in their campaigns of between £6 billion and £10 billion of savings on waste. Again, there is a deficit of £170 billion, so one must put in proportion that saving on waste, which will not necessarily improve the service that is delivered to customers and which is a tiny fraction of the problem.

On a point that Jack Perry raised, Scottish Government figures show that the Scottish budget has increased in real terms by 60 per cent over 10 years without services necessarily improving by much. One hopes that the converse would be true and that we can find ways to reduce the size of the public sector without reducing the overall quality of public service.

15:00

Jeremy Purvis: My question was specifically about waste. As Sir John Arbuthnott said, waste is not defined, and it is easy simply to say that there is waste. For one person, there might be waste in a policy that is delivered efficiently and well. Productivity for that policy may not be an issue; the issue may be that the person just does not agree with the policy. That is not waste; it is about getting the terminology right. That was the reason for my question.

I did not have a chance to read in thorough detail the "Clyde Valley Review 09", but I am very interested in two aspects of it, one of which is Sir John Arbuthnott's charges analysis. There are huge differentials in the eight councils' charges for interments, school meals, music tuition in schools,

swimming and domestic waste/special uplifts. For example, South Lanarkshire Council does not charge for domestic waste/special uplifts, but Inverclyde Council charges £59.20 per half hour for them. Where is the balance in respect of what might be termed very poor productivity across the public sector for the collection and uplift of waste? One council charges around £60 for half an hour whereas another council does not charge. The council that does not charge might have made a political decision to have a policy of not charging for that service, for which it will be accountable to the electorate in the area. I do not know whether it made such a decision, but, as it is an elected body, it has conceivably made such decisions. It is not necessarily wasteful for that council to be losing £60 per half hour for such work. Where does the balance lie in making policy decisions, whether on free school meals, free prescriptions or charging for uplifts? How do we get a consistent view on the efficient way of delivering a service, even if councils do not necessarily charge for it?

Sir John Arbuthnott: That is an interesting question. I was totally amazed when I found out that in one council area, an old sofa that was left out would be taken away for nothing, whereas another council would charge 75 quid for taking it away. I cannot see any logical basis for that. You make the point about that being a policy decision. If policy decisions are being made, both locally and centrally, on a national basis, the priorities must be chosen and communicated to the electorate, both nationally and locally in council areas, and people must be absolutely straight about the choices. All the parties have laudable objectives. I have lived and worked with them for many years and support many of the things that they want to do, but I simply do not think that we can afford to do all those things now. Perhaps we have to say to people, "We can no longer afford to uplift your sofa for nothing." There are things that we must decide.

There is a tiny point that is related to the issue of waste. When politicians are asked about waste at question time, they almost always talk about the back-office spend, which constitutes only 15 per cent of the total spend. The next biggest spend, which is hugely significant, is the 35 per cent that is spent on waste, roads, vehicles and buildings infrastructure. Politicians want to protect the 50 per cent or more that is spent on the front line. In their conversations, the savings that they want to make relate to a tiny amount of the total spend. That approach will be inadequate if we are to make the savings that we need to make. People must be straight about that.

Caroline Gardner: Drawing a distinction between policy choices and the costs of the services that underlie them is helpful. As Sir John Arbuthnott said, whether to charge for a particular service is a policy decision. Some councils and Governments may choose to charge for things that others think should be provided free.

There is also a quite separate series of questions about the costs of providing that service and the level of quality that can be expected. In relation to waste management, we know that the wide range of costs that councils incur in the recycling and collecting of waste is linked not necessarily to rurality, remoteness or anything else but to the way in which they are organised. The term waste, if it is of any use at all, might be useful in looking at differences in productivity and value for money. After all, we should be able to make relatively straightforward improvements, given the fact that the politics are going to remain difficult for the foreseeable future while we are having the important debate that Sir John Arbuthnott outlined about the services that matter both to the country and at a local level. There is a category of cost improvements that can be made without affecting policy choices.

Jeremy Purvis: I was interested to read the Audit Scotland report "Improving public sector efficiency". However, with regard to the issue of bodies retaining their efficiency savings, I felt that it was a bit one-sided; it did not, for example, examine where that money was being spent. How do we know that that money is not simply being recycled within an efficient public body? If the £839 million, say, that has been released from efficiency savings remains in the same pots, surely those bodies can report next year that they have again made £839 million of efficiency savings. Is that not right?

Caroline Gardner: The short answer is that we do not know. One of the key findings in our report is that the information really is not good enough to make it clear that efficiency savings are just that, rather than cuts, reductions in quality or money being moved around. That is not universally the case, but a clear message from our report is that public bodies need to get much better at demonstrating the equation between what is put in and what is taken out for us to be able to say that this or that is an efficiency saving.

Tom McCabe (Hamilton South) (Lab): Perhaps I should preface my questions by pointing out that there are other ways of defining waste. I remember being told by the chief executive of a local authority that his relationship with the neighbouring authority was very good—their headquarters were, I should add, worryingly close to each other—but that an enormous and always invisible amount of professional officer time had to be invested in maintaining those partnerships. That was waste, because the approach was by no means getting the best out of those professionals.

I agree with almost everything that Jack Perry has said about the structure and organisation of Scottish public services; I do not agree with some of the incentives that he mentioned, but it is probably best not to go there. That said, I think that our witnesses have enough experience to know that, as has been said many times, if we were starting with a blank sheet we would never organise ourselves in the way in which we are organised. There is enormous duplication, and enormous amounts of professional time are spent on trying to maintain complex partnerships. However, there is no political will at the moment to change that situation. Before the meeting, we had a brief conversation with the three individuals who have been commissioned by the Government to look at efficiencies in public services in Scotland. I do not want to prejudge what they will say in their report, but I do not think that they see what I have just outlined as a priority because they recognise that their task is to look at the medium-term consequences of our fiscal situation. Completely redesigning the structure of public services will cost a lot of money up front that it will take a long time to pay back.

Do you feel that what we need now from Government is straightforward leadership and an honest recognition that we are living beyond our means in the way in which we are organised in Scotland? I am not making a political point about the current Government; I am talking about any Government. Secondly, again on the theme of living beyond our means, a number of policies have been initiated over the years with the very best of intentions. However, given our fiscal situation, which looks as if it might pertain for quite some time, is it not time that we had some leadership and honesty about the areas in which we are living beyond our means?

Robert Black: I will boldly step up to the plate. You have raised some really significant issues, which we highlighted in our report "Scotland's public finances: Preparing for the future". We asked what barriers in the organisation of public services need to be addressed, so that we get better-quality and more efficient services. That is a question for us to consider. You are right to say that, ultimately, such matters must be determined by high-level policy.

To encourage some thinking on the issue, I offer two or three comments. We have been observing the total place project that is running down in England; we mention it in our submission in relation to what we might learn from other countries. The project has been fascinating to watch, because it has had a lot of impetus and heft from the Westminster Government behind it. In our submission, we mention some of the early results that are emerging, which are quite interesting. The numbers that we give have been reported to us—they are not our audited numbers. The total place pilot in Leicestershire is trying to bring together all public services in one account of what is happening there. The pilot has identified that the total cost of the overheads for national, regional and local organisational services is £135 million, to spend the area's combined budget for economic development of £176 million. Those numbers are so stark that they are difficult to believe. Somehow, we need to find a way of unlocking that sort of analysis in Scotland so that all of us are faced with the challenge of determining whether we are really spending money to best effect.

Over the years, we have done quite a bit of work on how community planning partnerships are working; we are just starting a piece of work on community health partnerships. We are struck by the amount of effort that people have to put in to running many joint initiatives. One of the challenge questions that I have occasionally shared with people is, what is the added value of such partnerships? To what extent are they about meetings blanketing meetings, rather than delivering added value to Jack Perry's bottom line for Jack Perry, or our quality front-line services? That is a really big issue.

Sir John Arbuthnott: Mr McCabe may remember that, four years ago, we had considerable discussions about these matters, when I published the report on voting systems, boundaries and representation.

Tom McCabe: I remember it well.

Sir John Arbuthnott: When I carried out my review of the Clyde valley, I left that as a blueprint that we might wish to consider at some time. If I had said that we should consider it then, I do not think that I would be here telling the committee that we have made some positive steps forward. There are convincing arguments for using this financial challenge, if not crisis, to begin a process that we have not yet started.

Tom McCabe used a key word—leadership. We need frankness and openness about what we want to achieve. It does not have to be achieved in the next three years. It is not about setting the boundaries of the estimates for a spending round; that is far too short a timeframe. I would like to know what the shape of Scotland will be in 10 to 15 years. This is a fantastic Parliament. In the past few days, we have seen the consternation that is being expressed at Westminster about the possibility that the politically elected representatives may have to work together. To me, that is astounding. We have a tremendous base here from which to look forward to a system for providing services that is different and for which the existing boundaries may not be the most appropriate ones. It may be better to organise the

police differently; the same applies to fire and rescue services and the delivery of enterprise to our locales. We must pick up that challenge and say that a much better machine—one that is more fit for purpose and more readily understood by people—will come out of the other end of the process.

15:15

Jack Perry: At the risk of our becoming a mutual admiration society, I cannot help but agree with Mr McCabe's remarks. The country is looking for not just political leadership but a political maturity that we have not seen. When this Parliament was created 11 years ago, the aspiration was for a new kind of politics. However, our experience when money was a bit easier was that it was pretty much the same old tribal stuff. The Republic of Ireland is not a great model in a number of respects, but it is a good model in the sense that, when it pretty much hit rock bottom in the early 1980s, its politicians achieved a political maturity because they had nowhere else to go. They took certain decisions, which they agreed would be outwith party politics and the bounds of day-to-day political friction, about economic development, telecommunications infrastructure and education, and what their priorities would be. I think that that was the single thing that helped to transform the Irish economy. In addition, the speed with which the Irish Parliament has been able to address the severity of the downturn, its public sector deficit and the size of the public sector is a pretty good model. We have tribal behaviour here, but I think that the country expects something very different now. However, a great deal of political maturity will be required in that regard, which we have not seen much evidence of to date.

Ben Thomson: One of the problems with leadership is that it is a term that is often bandied around but not clearly defined. It is quite a difficult term, because it can be identified with one person or one organisation. Rather than deal with leadership, on which we see a lot of press comment and discussion, I would be much happier looking at what is underneath that.

First, as has been said, people are looking for honesty about the current situation and for the elephant in the room to be pointed out to them, whether that is the pension deficit, the fact that the numbers do not work or that difficult changes need to be made. Secondly, there needs to be a clear vision. Too often, we have seen the beginning of a vision going into committees and emerging as a complete fuddle at the other end. Thirdly, we need communication to get the vision and the message out. Finally, we need a can-do attitude. Part of the problem is that people believe that we do not get anything done, whether in the public sector or, to some extent, in the private sector, which has been forced to do more. It is much more important to look at the underlying things that people are really talking about when they talk about leadership.

Tom McCabe: I think leadership is easier to define than that: it is a case of, "You put yourself up for public office and you won—now perform." It is just as straightforward as that.

However, my view is that has not been a proper balance between the producer and the consumer in public services for a long time—the balance is heavily in favour of the producer. We are consuming resources to maintain organisations at the expense of delivering services. That is a real danger in Scotland, because services are critical to people, whether they are education or support services or the stuff to do with the drive towards an ageing population. It is critical that we get that balance back.

There is a lot of professional demarcation that stops us making progress. However, in fairness, although many of the people who would be displaced in the public sector are well educated and often professionally qualified, they worry about where they would go. What do we do in a country where our economic growth has been far from spectacular and where people worry, saying, "I may have my education and qualifications, but I don't think, in this economy, there's going to be a use for them"? How do we turn that around and reassure people that they could go out there and do something perhaps much more rewarding for themselves and much more useful for the country?

Sir John Arbuthnott: Mr McCabe specialises in that kind of question. I do not want to go into all the aspects of Scottish education at the moment, although quite a lot obviously needs to be done there, and some of the ways in which that is managed would benefit from the kind of conversation that we are having.

It is undoubted that we have tremendous potential in our young people. We have made considerable strides in enabling much larger numbers of young people not necessarily to obtain a university qualification but to use a ladder to go progressively to where they want to go, regardless of where they started from.

When I was NHS Greater Glasgow and Clyde's chairman, we had a system for recruiting people under which we took them in provided that they met certain requirements. We told them at the beginning that we would give them six months. If they made it to the end of those six months, they had several choices. Some of those people have gone on to become senior individuals, although they are not yet in senior management. That arrangement unlocked potential, which is what we

must do. The worst thing that could happen is that qualified and bright young people who can do the tasks that we need done in society go somewhere else. They are the life-blood who will see us through in 10 or 20 years' time.

Caroline Gardner: The underlying point that Tom McCabe makes is that, if we are to come out of the situation in any sort of good order, addressing economic growth must be the starting point. Against that background, how we make a transition from the stark choices that we face now to a new economy and new ways of delivering public services becomes important.

It is interesting that the increase in unemployment in the private sector has not been what we expected. That is partly because several companies and individuals have been willing to consider other ways of working, such as reducing working time and taking periods of unpaid leave. People have thought about the balance between their working life and the rest of their life in a positive way, instead of just thinking about unemployment and potentially a life without stimulating and rewarding work in the future. We have not done much of that in the public service in Scotland yet.

My sense—particularly from our work on best-value audits in councils, in which we look closely at staff engagement—is that such thinking might be fruitful. We do not have hard evidence on that but, if we put alongside that the fact that people are likely to have to work for longer because of pressures on pension schemes, an appetite might well exist for shifting how a working life is phased over 40 years, so that people do not do 25 or 30 years flat out then stop. There might be scope to phase working life more creatively than we have done so far.

Jack Perry: A couple of points are worth bearing in mind. Unproductive jobs—jobs that create unproductive bureaucracy or what have you—destroy value and taxpayers' money. If that human capital can be released, we will find that it is redeployed eventually—I realise that the short-term dislocation is severe—into jobs that create rather than destroy value. The economies that have the most flexible labour laws shed jobs much more quickly when they go into a recession but re-engage much more quickly and recover their entire economy as a consequence.

We must also remember Scotland's demographics. There will be a premium on the working-age population. Public and private sector employers will have to be much more creative to obtain the workforce that they will need in the future. Redeployment in an improving economy with an ageing demographic will perhaps be easier than our current experience.

Joe FitzPatrick (Dundee West) (SNP): Everybody has said that we need more radical change, rather than tinkering. Jack Perry talked about examples of radical change in the private sector that had delivered savings and improved services. If we are to achieve radical change in the public sector, a cultural change is needed in how the public sector and politicians think.

One way in which the Government has tried to change that culture is by moving away from deciding how good a body is on the basis of how much it spends and towards considering outcomes. However, even that pretty obvious shift, which has general support in the Scottish Parliament, has proved really challenging for us to get a grip of. How can we make that cultural change to achieve the benefits that some parts of the private sector have managed to grasp, which have improved services and reduced costs?

Robert Black: Let me give you the example of what has happened in the health service over the past few years with the development of the health improvement, efficiency, access and treatment targets. Every second year we look at the performance and finances of the health service in Scotland, on which we took a report to the Public Audit Committee in December.

Everyone recognises that the HEAT targets are absolutely spot-on as high-level objectives for the health service. It is possible to adjust them at the margin. It was a pleasure to report that the majority of the targets—all but three of them—were being achieved. There is no doubt that if someone goes into a health board, as I do from time to time, they will see that the chief executive is focused on the HEAT targets, on getting down waiting times and so on. Therefore, a model exists in which the Government is clear about what it expects organisations to deliver, and from which we can see improvement.

Having said that, if we go down a level we get into the situation that Caroline Gardner outlined earlier, in which the understanding of costs, activity and service delivery performance is patchy at best. We need to get better at that.

However, there is something in there, and it goes back to Mr McCabe's earlier point about Government and the Scottish Parliament being very clear about the high-level expectations of delivery and setting clear performance standards. To come back to a theme that has been running through some of what we have been talking about, the Government and the Parliament then need to step back a bit and give management the permission and space to deliver. The rules around that need to be laid out clearly, given that 54 per cent of the spend is on staff and another 30-odd per cent is tied up in capital and other unavoidable costs. There needs to be a mature dialogue; dare I

say it, the dialogue between our elected representatives and management needs to go a stage further on some of those issues.

Ben Thomson: Part of the problem is that everything is very much focused around the budget right from the top down to the bottom. Let me put on my hat as chairman of the National Galleries of Scotland. I have a budget. It goes up a little bit and it goes down a bit, but there is no focus on outcomes.

This has been said fairly consistently before, but if we are going to change that around, we have to take an attitude all the way through the system about devolving power away from the centralised approach of giving people a budget and telling them what they need to spend it on. We have to move towards giving someone an area to look after, whether it be a geographical area or the provision of a service, and letting them get on with delivering the outcomes. I know that the current Government has tried to do some of that, but throughout the system there is still a budgetary ethos that needs to be changed. That is where radical thinking comes in. To get out of that situation, more devolution is needed, whether it is to local government, patients, or parents and schools.

Sir John Arbuthnott: We did a study of the demographics of the Clyde valley region over the next 10 to 20 years, and there were some quite challenging results. One is that the number of people who are over the age of 85 will increase by 39 per cent over a period of 10 years. The number of people who are over the age of 75 and living alone will increase by something like 20 per cent.

Those demographic challenges, together with a number of other issues, such as drugs and alcohol, will impose tremendous pressures on Scotland's health and social care system. Everyone that we talked to when we were looking at those demographics wanted more integrated delivery of health and social care services.

When it comes down to the actual mechanism—Robert Black has already drawn our attention to this—and the detail of how things such as community health partnerships are working, we can see that the mechanism is not working as well as it should. We owe a great debt of gratitude to Malcolm Chisholm for the work that he did in introducing community health partnerships with the aim of getting health and social care services to work together. The health service is still organised from the minister down to the coalface, and is very much based on targets.

15:30

When it comes to looking after people's needs, a stratification is still being demonstrated of individual professions not working together even within the health service. When it comes to the interface between the medical profession—doctors and nurses—and social workers, the picture is worse. The two professions are paid differently and promoted differently, with different conditions of employment. When they are brought together—even if it is in a single building—it is not easy to get the system working to maximum efficiency. In conversations with the health minister, I have defined that as the grit in the system, and that grit has considerably delayed the delivery of Malcolm Chisholm's vision of health and community care partnerships. We must address that urgently.

The Convener: I deeply regret the fact that time constraints will force me to bring this session to a conclusion soon, but David Whitton may have one last question.

David Whitton (Strathkelvin and Bearsden) (Lab): This question relates to the various issues that we are all wrestling with. Mr Thomson's written submission states:

"Reform Scotland believes that the reduction in spending should be viewed as an opportunity to reform the structure of public services to provide greater local accountability".

However, COSLA tells us:

"In terms of structural change there is no merit in focusing debate on redrawing local government boundaries."

We have heard about Sir John Arbuthnott's exercise in the Clyde valley, and we have heard from Robert Black about the total place experiment that is being carried out down south. It strikes me that the Clyde valley thing is a bit like a Scottish version of total place. If local government is not reorganised—which, we were told in evidence last week, would be madness—is it your argument, Sir John, and Mr Thomson's too, that if eight councils are working together there is no need for eight chief executives, eight directors of finance and eight directors of education? The eight councils could be elected as they currently are, but the services that they provide could be much more integrated.

Sir John Arbuthnott: This is an interesting point. In each work stream there tend to be one or two elected leaders and one or two chief executives. The people who are dealing with all the infrastructure issues for a third of Scotland—including roads, maintenance, vehicles and buildings—are actually working in a team with two chief executives. The terminology of what they are and what they do is less important than the fact that the best talent from the whole pool is dealing with the whole area. Not all of them have been expected to or will participate in the outcome, but if we get three quarters of what we designed, we must have made progress. It is a different way of

working, and that is what you have been looking for.

The Convener: Mr Thomson, you have been mentioned—do you wish to respond?

Ben Thomson: I am not sure about the size of areas—whether eight or three authorities is the right size, for instance. To an extent, the system will find itself.

However, there is a lack of accountability. That has come through in all the work that we have done, including in local government. We asked whether we should be considering systems involving elected mayors, with an executive, and investigating changes that bring more responsibility and accountability to a single person. We have produced papers regarding that in both health and education.

By and large, the aim is to get a more diverse system and to pick the best system, rather than squash everything together. The great danger of squashing things together is that it engenders a very centralist approach. We might think that that brings a lot of cost savings, but the centre has to take even more control to put everything together. Therefore, I am not sure that having an edict about putting eight bodies, 14 police associations or 32 councils together would actually achieve what we are trying to bring about, which is to bring more accountability down to a local level and to encourage some more best-of-breed practices.

That is what Sir John Arbuthnott's example shows—when we can see best-of-breed practices, and especially when we start to get figures to account for them, to refer to Mr Brownlee's point, we can then discuss whether something that works well in one place can be applied in others.

Robert Black: I am conscious of time, convener, so I will offer a simple thought to finish, which is that, rather than the language of restructuring, I prefer the language of service redesign. Service redesign might naturally lead to mergers over time. If Sir John Arbuthnott heads up one public body and I head up the one next door, and the Government asks us to work together to merge our bodies over time, the day after that decision is taken there is not an extra penny of cost, but it allows an environment to be created in which we can manage towards a new model of service delivery. It is important that we do not hark back too much to the most recent reorganisation of local government, which was about fragmentation and the division of nine regions into 32 local authorities. That definitely had a significant add-on cost, and we reported on it many years ago.

It would help if we used the language of service redesign, and merging and bringing bodies together naturally through that. We do miss opportunities. In our recent report on efficiency, we commented on an opportunity that came and went in Orkney to bring the executive teams of health and local government together into a joint team. We should be bold in allowing such experiments to take place and we should watch them carefully and learn from them. Opportunities have come and gone in other parts of Scotland without being seized. As part of the leadership agenda that Mr McCabe mentioned, it would be interesting and fruitful to be a bit bolder and to give real heft to some changes.

The Convener: Before I draw the session to a close, I ask the witnesses whether they wish to make any closing statements. I see that there are no takers, so I will just say that we have benefited greatly from their tremendous reservoir of skill, experience and expertise, which has informed the evidence that we have received. That is greatly appreciated. I thank all our witnesses for being here and for contributing to our proceedings.

We will have a short suspension while we get our next set of witnesses in.

15:37

Meeting suspended.

15:42

On resuming—

The Convener: I welcome our second panel of witnesses, who are Don Peebles, policy and technical manager with the Chartered Institute of Public Finance and Accountancy; Colin Mair, the chief executive of the Improvement Service; Professor John Seddon of Vanguard Consultants; and Anne Houston, the chief executive of Children 1st. Members have seen your written evidence and the written evidence from the Convention of Scottish Local Authorities, which the Improvement Service supported. Sadly, problems with air travel, which we can all understand, mean that Martin Southern, a senior consultant with BT Scotland, is unable to join us.

As I said to the first set of witnesses, the broad theme of the meeting is measuring and improving efficiency, although we will no doubt cover broader issues. I will begin by asking the question that I put to the first panel. Given predictions about the degree to which public expenditure will be tightened, will strengthening existing measures to improve public sector efficiency suffice, or is a more radical approach required?

Colin Mair (Improvement Service): If we assume for planning purposes a 12 per cent reduction across the next spending review and then relatively flatlining expenditure for a period thereafter, it is unlikely that simply pursuing operational efficiencies and services in the way in which we have done—and which has churned

about 1.5 to 2 per cent savings per annum—will be sufficient. Hence, there is a developing focus, particularly in local partnerships throughout Scotland, on seeing efficiency as partly about whether current service arrangements are the efficient way of achieving the outcomes that those partnerships have set themselves. If they are not, the question is how to reform and restructure them to get a more cost-effective route to achieving those outcomes.

Part of that approach is about partnership between various elements of the public sector but, interestingly and hearteningly, a lot more of it is about partnership with service users, carers and so on. The language of so-called co-production of outcomes is now much more common in community planning partnerships and public service partnerships. That is a result of the fact that, in many respects, we are focused on outcomes. We cannot do outcomes to people; we can work with people to support outcomes in their lives. They bring resources to the table as well, which allow us to make better use of what will be a more limited public resource in the future.

We have tended to assume that radical change means structural change of some sort, but I think that radical change means fundamentally rethinking services and the public role in them. We also require those who use services to get to the outcomes that we want to see in Scotland.

15:45

Professor John Seddon (Vanguard Consultants): I believe that the existing measures for public sector reform are damaging performance in the public sector, so to continue with the current measures or to work harder with them would be only to do the wrong thing better. I do not know the numbers for Scotland, but in England we have doubled our expenditure on public services in local authorities and trebled our expenditure in the health service, but we have not had results commensurate with that investment. Indeed, I have published a lot of evidence to show that much of what is going on is driving costs up. We need radical change. I would say that, as my work has been in challenging management conventions and designing organisations on different principles from the norm. For the sake of a label, I would describe the norm as command and control management, and the work that I do is based on a systems approach.

Jack Perry suggested that you go to Singapore to see how they do roads there. You do not have to go to Singapore, as there are lots of examples in the UK of people taking a systems approach to road repair and doubling or trebling their productivity. There are also many published examples of people witnessing a rise of 30 to 50 per cent in the number of applications for housing benefits yet the service is being delivered way beyond the official Government targets and with less resource. Another example is the way in which housing repairs are being delivered in Portsmouth. The cost of housing repairs there has been halved at the same time as the service has been improved. Those results are all numbers that would never be put in a plan—that is an important idea.

The other thing that you learn when you start to study services as systems is that a lot of the current problems are due to the ideology that is being rained down upon them from the centre. For example, we believe that services must have targets, yet the targets drive people's ingenuity against the purpose of the services. We also believe that there should be economies of scale. For example, in Whitehall they think that the principle of economies of scale is a no-brainer. However, it is actually a myth—the more we industrialise the services, the more we drive costs up.

It is necessary to cut costs, but the focus for cutting costs should be at the centre. We must cut out all the jobs that are involved in specifying and then inspecting for compliance on the basis of ideological precepts. That is important. It also echoes a theme that you have heard from other witnesses today, which is that it would fit with a change to the locus of control. Currently, the locus of control is with the specifiers and inspectors, which engenders a culture of compliance among public sector managers. We need a culture of innovation, so we must shift the responsibility for making choices about methods and measures to those managers who deliver the services. That would be a bedrock for innovation and, most important, it would cut out all the costs of preparing for inspections. It would radically reduce the costs of inspections and make the inspection process much more reliable.

The Convener: Have you made any detailed studies of Scottish local authorities?

Professor Seddon: Yes, convener. I have found that they are, essentially, the same, although there are minor differences.

The Convener: Can you tell us which local authorities?

Professor Seddon: Yes. You should visit City of Edinburgh Council, which has been working on road repairs and has, I am pretty sure, massively improved its productivity. Another great example is the Glasgow Housing Association, which has risen like a phoenix after it was about to be busted up. There have been massive improvements in the services that it delivers to its tenants. I cannot remember the others, but I can find out for you.

The Convener: Thank you.

Don Peebles (Chartered Institute of Public Finance and Accountancy): I will bring us back to numbers, as I have brought some for the committee's benefit. So far, in the media and in intellectual circles, the debate has largely been about numbers. Some of us have accepted that, but it is important to introduce a bit of reality into the debate.

In advance of today's meeting, we undertook additional modelling so that we could widen the discussion. The Scottish Government departmental expenditure limit budget is about £30 billion. We based our modelling on the premise that cuts of between 7.5 and 15 per cent will probably be expected, and we used the top-end figure of 15 per cent to do our modelling. Much of the debate has been about protecting services and protecting spending rather than about what cuts should be made. I want to talk about what the consequences would be of introducing the thought process that services and spending might be protected.

If we assume that cuts of around 15 per cent are to be made in that £30 billion of expenditure, the ring fencing of spending on health and wellbeing would mean that disproportionate cuts of about 25 per cent would have to be made elsewhere. If we wanted to ring fence spending on health and wellbeing, that would mean a cut in local government expenditure of around £2.4 billion, or 25 per cent over three years. Alternatively, if we wanted to ring fence spending on another major service, that would result in disproportionate cuts of about 23 per cent overall.

As we have this discussion, it is important to appreciate the consequences of the decisions that we take on cuts. Alongside efficiency, bold thinking is required. I heard a member of the previous panel suggest that getting organisations to work together might be bold, but that is not bold thinking for public services. In my view, we need to focus on the upper level. I agree with the two members of the previous panel who said that radical thinking is required, and I look forward to discussing that with the committee.

Anne Houston (Children 1st): My view is that improving efficiency will not suffice, but we should not throw out efficiencies that we can still manage to make. Inevitably, I approach the issue from the perspective of the provision of services for children and young people. Everything that I say is based on my knowledge of that area.

We need to make efficiencies and to adopt a radical approach—we need to look at doing both. What would that mean? Innovation and outcomes have been mentioned. In the view of the part of the voluntary sector that works with children and, indeed, of the voluntary sector more widely, we are often tied down to numbers and how to do things. As has been said of other areas of work, if what is required can be truly described in terms of outcomes and we are trusted to go and do the work of delivering and monitoring the outcomes, that would be a much more efficient and effective way for us to proceed than having to stick to prescribed ways of doing things. In that regard, there are a number of areas in which significant improvements could be made in how public service money is spent, particularly in the voluntary sector, and how arrangements are made.

An additional factor that was discussed by the first panel is waste. We have concerns about procurement processes, to which we might well return. Some of the retendering processes that I have gone through have been hugely consuming of time, effort and energy. The short-term nature of the funding agreements that are reached is an issue, as is the amount of time that has to be spent on starting up projects time and again because of one-year funding, for example. That results in a huge amount of wastage because of the need to recruit new staff, lead-in times, application times and so on.

It is clear that there is still wastage in those areas that could be addressed, but that will involve a certain amount of cultural change if people are to accept that that ought to be done. Perhaps procurement could be done on a Scotland-wide basis rather than in 32 different ways by the different local authorities, but I realise that that would be quite a radical jump. That is why I say that a combination of efficiencies and radical innovation is required.

The Convener: Would you like to expand on that? How could the procurement processes be improved? You have given one suggestion; do you have any others?

Anne Houston: At the moment, we provide services across 28 of the local authorities. There is no consistency about what goes to tender, what is done through service-level agreements, what standard of tender needs to be produced, what background information needs to be in place and so on. Therefore, organisations that work across many local authorities, as we do, have to run to keep up with what is going to be asked for, and then have to reprepare tenders umpteen times in umpteen formats, which is a complete waste of time.

Another issue that is not dealt with consistently is how service-user views can be involved in the process.

Single-year funding is a major issue for us and, again, the situation varies tremendously across

the country. There is no economy of scale in that regard.

The Convener: Are those problems felt generally?

Colin Mair: Through the common procurement vehicle of Scotland Excel, councils have improved in a number of areas. Recently, they have turned to the issue of care and are considering whether it is possible to conduct procurement in that area more effectively across 32 councils. I endorse Anne Houston's point that annual retendering imposes a massive cost on service providers, but it also imposes a massive cost on councils. If one is looking for a more productive use of resources, the continued respecification and so on that is involved in that process is probably unhelpful all round.

To link to what Professor Seddon, Don Peebles and Anne Houston have said, I should say that the language of cuts that is being used is interesting. If, at the end of this period, there is still more than £30 billion to be deployed in Scotland, it is probably more interesting to discuss how we can make best use of that money than it is to get involved in angst-ridden discussions about what bits can be pared away.

Given that 40 per cent of all spending on older people is on emergency admissions to hospital, the issue of how we sort that out might centre not on cuts but on how we can make the best use of the £1.8 billion that we have at our disposal. Older people often end up in hospital for banal reasons, such as poor nutrition, the fact that they get ill more seriously during winter or because they have fallen and broken their hip while changing a light bulb. It is clear that, once they are in the system, there is a danger that they will be part of the system for ever after.

We must not talk ourselves into total gloom. There are big soft bits where we are spending a lot of money dealing with negative outcomes once they have occurred. If we examined our spending from a more systems-based perspective, we could use our resources in a much better way that would achieve more positive outcomes.

Another thing that could be done also involves a systems-based approach—Professor Seddon will correct me if I am wrong. We have to be honest about what local government health services can do and what we should expect family members, friends and neighbours to do. Professionalising neighbourliness has been a vastly expensive strategy over the past 15 years and will become hideously more expensive in the next 20. We must see the community as part of the system, not separate from it or only the recipient of its services. That is an important part of how to create a positive agenda.

The Convener: You are talking about words and their use and about vision.

Don Peebles: It is difficult to disagree with any of what Colin Mair has said. However, although I am attracted by the notion of talking about how we should deploy the £30 billion, I think that, if we do not speak honestly about cuts, we are possibly not being honest with public service managers and service recipients. In fairness, that is the language that they understand because that is the language that we have been using. It would take a seismic shift to change that, however optimistic we are. We have to make the best of where we are.

That said, the cause that Colin Mair expressed is a noble one, and, in terms of good financial management, I am signed up to the idea of considering how we can best deploy the £30 billion. Realistically, however, we must think about what services we are going to reorder and deliver differently. Whether we talk about that in the language of cuts or efficiencies is a matter for discussion.

16:00

Professor Seddon: The issue of commissioning and procurement that Anne Houston referred to is a deep problem. In the name of professionalising procurement, we now put out tenders for people to supply particular services at a certain price. In practice, however, the services as specified in the tender do not actually meet users' needs, which puts you in the bind of having to report on service levels and other specifications to secure funding without solving the problems of the children or whoever it is you are supposed to be caring for. That has been a big mistake, and the fact that it is called world-class commissioning is galling. It is anything but; it is driving up costs and ensuring that we are paying money for services that do not actually meet users' needs.

In adult care services, for example, what ought to be a thermostat in the system—the person who comes into your home to help you do whatever it is you cannot do—is simply not that. If we were caring for these people properly, we would be spending more or less time with them according to their needs and be aiming to help them to become as independent as they would like to be in their own homes. However, because we have commissioned the service, the situation becomes static, and everyone gets their 30 minutes twice a week regardless. People think that that is a cost saving. It might look like that when they buy it, but costs are actually being driven up.

Derek Brownlee: I want to explore some of the issues that Professor Seddon has raised, because, whether or not we end up accepting his

premise, it is healthy to hear a direct challenge to the prevailing wisdom of how we drive up value or reduce costs.

Professor Seddon, I take it from your opening statement that you are clearly not a fan of targets; indeed the Auditor General would have realised as much if he had had eyes in the back of his head when he was giving evidence. On your point about allowing people to get on with delivering the services that they want to deliver at a local or individual level, how do you share best practice to ensure that people are not reinventing the wheel? We heard from the previous panel that the capturing of information was not adequate enough to allow benchmarking to be carried out. Is having some measure of benchmarking systems inconsistent with your own proposals?

As for the very messy set-up that we have in Scotland with regard to who delivers what service, can we implement the kind of systems thinking that you have described, which crosses institutional boundaries, without first reforming institutions?

The Convener: Who wishes to respond to that question?

Professor Seddon: I thought that it was directed at me.

The Convener: Please go ahead.

Professor Seddon: Mr Brownlee, I am amused by your comment about whether or not the committee accepts my arguments. I can support all my arguments with hard evidence that I can show you. I fully understand that it is difficult to accept some of what I say, because it is counterintuitive to a conventional mindset; indeed, that has been a problem all my life.

It is not that I am not a fan of targets; it is just that I can give you many examples, many of which I have published, of how they actually make performance worse. In adult care in England, for example, you might go into a four-star service that is meeting all its targets but the end-to-end time from when you seek help for a problem to when you actually receive that help might be more than a year. You are also visited by seven different people filling in essentially the same forms; they meet all their activity targets, but without achieving the purpose. There are lots of examples of that.

I am also amused by your reference to allowing people to get on with delivering services. No, no, no—that is not what I am recommending. My recommendation is actually much tougher than that. We have to be clear about who is responsible; we need to pin that responsibility to the managers who provide the services and make them make—and declare—choices about methods and measures.

As for best practice, I do not like the concept, as it is static. I learned that from a Japanese guy who taught me a lot. Best practice encourages copying. Whenever you hear the phrase “best practice”, you must think that the phrase “better practice” is better, because anything can be improved. The trouble with benchmarking is that it is industrial tourism of the worst kind, and it can drive us to mediocrity.

You bet that there is scope for cross-boundary working. My view is that adult care services should be one service. There is plenty of evidence that the costs of running two services and the arguments between the services have a massive deleterious impact on the poor people whom we are supposed to be helping. I fully accept that there is loads of scope for improvement in that respect.

Great evidence from Wales has been published. We fail to get to old people quickly and to support them to live with dignity in their communities. In England, there is fair access to care services, which means that if a person has a minor rather than a serious problem they can forget it, but of course people’s minor problems become more serious over time. We have strong evidence that shows that, if we help people early, we will save a fortune, not just on administrative costs. Tens of thousands of pounds will be saved on administrative costs and hundreds of thousands of pounds will be saved on material costs. More important, millions of pounds will be saved by not driving people into care homes that they do not want to be in.

The Convener: If you wish to supplement in writing the evidence that you have given, please do so.

Professor Seddon: I will send the committee a report on that work, which was published by the Wales Audit Office.

The Convener: That is appreciated. Thank you.

Professor Seddon: I also have some other publications that I could send.

Colin Mair: I agree with the analysis that has been given. Scotland is in an interesting position. To some extent, the empowerment of people at the local level in the Scottish system is clearer with the concordat, the outcome framework and so on. It is down to local partnerships, for example, to declare how they should be held to account, how they will set their performance and how they will measure their performance. There are elements in Scotland that do not perfectly embody what John Seddon has said, but they get closer to it. That is how one should think about the matter.

I want to remark on two issues, one of which is benchmarking. I agree that there is a danger that,

if benchmarking is taken to mean that there is something called "best practice", people will simply copy that wherever they are. The diversity of Scotland makes it questionable whether best practice in an urban context necessarily makes much sense in Benbecula. We need to be incredibly careful about that.

As we move more strongly on outcomes in particular, the old accusation that we knew the cost of everything and the value of nothing should be remembered. There is a corollary danger that we will end up knowing the value of everything and the cost of nothing. Therefore, at a basic level, any organisation should at minimum have clarity around its own cost structures for its own accountability. In a way, we do not have that.

Finally, without being polemical—this is in the overview report of local authorities' concerns—I noted the evidence of the Accounts Commission and Audit Scotland on the quality of benchmarking. A modest irony is that they require councils to return 92 indicators annually. If they do not think that the indicators that have been set are worth collecting and returning, they can set indicators that they think are worth collecting and returning. There is something slightly contradictory in my head about forcing the collection of a set of data and then recurrently saying publicly, "We don't think we've got the right data." The answer would seem to be relatively simple in those circumstances for an audit body with statutory powers.

The Convener: Much has been said about that specifically. Linda Fabiani and Tom McCabe may ask brief questions.

Linda Fabiani (Central Scotland) (SNP): I want to ask about that. From my limited experience of heading an organisation that was inspected and had to prove compliance, I know that organisations tend to work on the basis of being able to tick all the boxes, so I sympathise with what John Seddon said. A lot of time, effort and cost goes into ensuring that the organisation is compliant and, indeed, gets a good score, but the service is often not measured in a qualitative way at all. That is an issue, as is the fact that if a sum of money is ring fenced, people will spend that amount of money whether or not it is absolutely required. However, how do we ensure that, in trying to get the economies of scale to which Anne Houston referred—while retaining local services to meet local needs—and in trying to do away with some of the stuff that has been talked about, we leave in place the necessary transparency and accountability to ensure that, in the worst cases, abuses are not taking place? How do we square that circle, circle that square or whatever?

Colin Mair: I make two observations. One way of doing that is exactly as John Seddon said. Those who are tasked with and accountable for something should define what performance will mean—especially to the local public whom they serve—and produce transparency in the reporting relationship. That will not always be just statistical data, which are often meaningless to the public. On behalf of councils, Audit Scotland produces two volumes of statistics annually, but I have never met anybody other than saddos such as me who reads their way through them, although the local press will grab two or three headline items and stick them up. There needs to be a dialogue with the public and communities in each part of Scotland, and it is important that services state what their performance should be and report to the public on that.

There may also be an issue about the kind of accountability that Parliament wants, as opposed to that. A council leader might say that they are accountable to their local community and that is all—they are not accountable to the Scottish Parliament, although the Government is—so, they should just get on with their life in their own patch. It tends to be higher-level bodies—whether audit bodies, political bodies or whatever—that want to be able to look across Scotland, measure like with like, as they see it, make comparisons and say why something is good and something else is bad.

There are, therefore, two bits to accountability. The first is accountability to the local people whom a council serves, which needs to be made stronger and better. The second is what the Scottish Parliament, Audit Scotland and inspectorial bodies want—indeed, what they should be allowed to want, given the cost that that will have further down the system.

The Convener: Don Peebles and Anne Houston want to come in. I hope that Tom McCabe's quick question will allow that.

Tom McCabe: Oh, right. Anne Houston mentioned the difficulty of contracting with 32 different local authorities that have different systems. I am tempted to say that even 10 or 15 differences would be better than 32, but we had better not go there at the moment.

Anne Houston: Agreed.

Tom McCabe: First, do you agree that there is perhaps a case for Government specifying what local authorities should require from bodies such as yours, thereby taking out the argument about that? Every local authority would ask you the same questions about the delivery of your services.

Secondly, I will run an idea past you. A few months back, when we were talking about the future of the children's commissioner, a lot of

children's organisations gave evidence and it struck me that there are an awful lot of children's organisations. However, anybody who watches a news broadcast or picks up a newspaper in Scotland would be hard pushed to believe that we are putting children first, given some of the tragedies that are happening on a regular basis. Is there a case, in these increasingly financially constrained times, for a rationalisation of the way in which we try to put children first?

Anne Houston: I will try to answer your first question first and your second question second. If I lose it, please help me.

I said that I was looking for something that would not require every local authority or area to redesign its tendering process. However, service users need to be involved in stating what is needed, which takes us back to a number of points that have been made. My concern is that, if the same questions were always asked in procuring a service, we might not be able to meet people's needs in different areas. I was thinking more that it would be helpful to standardise the system and the process as well as the back-up information that is needed. We are required to provide a lot of back-up information to evidence the fact that we are a bona fide organisation that is financially secure and so on. The back-up information that is required could be made uniform without diluting our ability to respond to the needs of specific areas.

Could you please clarify your second question?

Tom McCabe: Is there a case for rationalising the way in which we try to put children first, given that we live in a society in which too often—if not on a daily or weekly basis—we do not manage to do that?

16:15

Anne Houston: I meet the chief executives of the other four large children's organisations on a fairly regular basis. We always consider whether there are ways in which we could provide services collaboratively that would be helpful, to reduce costs, to increase our ability to deliver and so on. We must continue to do that.

The other option is to merge organisations. I was with ChildLine when it was merged with the National Society for the Prevention of Cruelty to Children, with Children 1st running ChildLine Scotland. My experience is that merging organisations to ensure that the arrangement delivers for a reduced cost is not as easy as it appears. If the massive cultural issues that often exist are not attended to, the whole thing may collapse. Earlier witnesses talked about gradual movement of organisations towards one another. There may be much more value in that than in suddenly expecting organisations to disappear totally. I have no doubt that there are economies of scale between organisations, but we must be careful not to expect to deliver a financial benefit immediately.

While I have the opportunity, I will raise one minor issue that relates to Colin Mair's comments about adult care. In child care, the early years framework has the most universal appeal of any potential way of working across the entire sector; unfortunately, no funding is attached to it. The danger at times when we are trying to cut services is that early intervention and early years work will be seen as preventive and easier to cut than the crisis work that is in your face. All of us understand why that is the case, but if we are talking about benchmarking and about the social return on investment costs and the social outcome costs that have been calculated, it is clear that the longer-term impact of early years intervention not taking place early is massive.

The fact that the children, young people and social care budget appears to be being reduced, whereas others are not, is a concern for us. We are concerned about both the impact that that will have on children now—children are often called our future, but they deserve a good life now—and the potential cost in the longer term of not providing services at an early stage. I want to ensure that that point is considered.

Don Peebles: I am keen to develop the comments that have been made about benchmarking, in case the committee collectively gets the wrong impression. There is too much evidence in both the private sector and the public sector about benchmarking to conclude anything other than that it works and is a powerful tool when efficiency is sought. More than 10 years ago, the CBI surveyed 1,000 of the top companies in the United Kingdom and found that two thirds of them used benchmarking. Eighty-two per cent of them considered that it was successful and about three quarters of them expected to invest more heavily in it in the next five years.

Where are we in Scotland? CIPFA works with more than 200 public bodies in the United Kingdom to provide benchmarking services. Of the 224 bodies with which we work, three are in Scotland. Only one of those is a local authority. In the previous session, the Auditor General probably spoke about benchmarking. In overview reports, he has been consistently critical of both the health service and local government on the issue.

Benchmarking is not simply about counting costs. I will give a practical example from the one local authority in Scotland that we have assisted. We examined the time that it took to get financial management information out of the financial ledger system to committees, so that decisions

could be taken. It took the organisation 20 days to do that. The lower quartile on the benchmarking was six days. That means that, somewhere else in the United Kingdom, an organisation can get such information to its committees much more quickly than the Scottish local authority with which we were working. That Scottish local authority was able to make contact with such an organisation to find out what it does differently and why it does it. It was also able to think about the improvements that it could make to its own process. There is nothing wrong with public bodies accepting that, notwithstanding their local responsibilities, they might not have all the answers and they can look outside, not necessarily within, for answers.

Colin Mair: We are doing a bit of work with the local authority chief executives. To date, we have unearthed 117 benchmarking frameworks that are being used by more than half a dozen councils. The trouble is that they are often below the radar of anybody in strategic management, as the flow of information through to them is problematic.

Nobody was arguing against benchmarking. John Seddon's broader point was that, if we set targets and measure them from the top down, we tend to get a compliance mentality rather than active engagement in improvement, development and link to purpose. There will be a lot of work on benchmarking, particularly of costs. That is absolutely right. People will ask, if a body is in the bottom quartile, how is it doing that?

There are already comparisons between Scottish public services and English ones. It is worth noting that, in the worst-case financial scenario, despite the cuts, we would still spend more per capita by the end of 2017-18 than some of our English colleagues spend just now. There are, unquestionably, learning opportunities; the question is how we use them.

Professor Seddon: It is interesting that, when the CBI runs a survey, it asks, "Do you all do this?" and says, "This is normal and, therefore, it must be good." However, I think that it was Socrates who said that we cannot find the proof by counting heads. Just because we do something does not mean to say that it is good. Would Portsmouth City Council have halved the cost of housing repair and improved its service if it had been out benchmarking? I do not think so. I could take committee members to a financial services organisation whose new business processing used to be done by a bunch of people in the UK and 144 people in India but is now done by 22 people in the UK. Would it have achieved that level of improvement if it had been benchmarking? I do not think so. That is why I argue that benchmarking leads to mediocrity, not to outstanding improvement. There is scope for outstanding improvement, but would we treble productivity in road repairs by benchmarking? Of course we would not. It levels down, not up.

Linda Fabiani: Can we go back to my original question?

The Convener: Quickly, because Jeremy Purvis has been patient—and rightly so.

Linda Fabiani: So have I.

How do we ensure qualitative inspection and compliance while maintaining the required level of accountability without creating an industry in itself?

Professor Seddon: That is an important issue. It goes back to your question about transparency. True economy comes from flow, not scale. That means that services must be designed against local demand. That is important because, as Colin Mair said, the demand in different parts of the country will be different and therefore the service should be different, appropriate to the demands.

The choice of method and measures should be made by local managers. My advice to them is always to measure things that relate to the purpose of the service from the customer's point of view, but we must not make them do anything; they must make the choice. That measure should be used to establish transparency with their communities and for reporting to any inspector who comes to examine what the services do. It is important that we rein inspection back to asking only one question: "What measures are you using to help you to understand and improve the work?" The inspector should then go into the work to see that that is so.

One big problem that we have had with inspection is that inspectors carry their own view of what "good" looks like and therefore introduce bad practice on the assumption that it is good practice—even benchmarked good practice. We must get away from that. We make the mistake of imagining that intelligence or experience is equivalent to knowledge. We put bright people in the centre and they specify how a service will be run or we take someone who used to run a service and put them in the centre so that they can specify how others will run a service. That has killed innovation and driven up cost.

Jeremy Purvis: That is all interesting, but I want to go back to something that Mr Peebles said that I thought was important but has not been touched on subsequently. It is about CIPFA's modelling of what happens if the health budget is ring fenced. I think that I took down correctly what he said about the impact if there is a 15 per cent reduction—I presume that it is over three years.

Don Peebles: Yes.

Jeremy Purvis: The corollary of health keeping an inflation uplift in its budget is that a 25 per cent

reduction would be required elsewhere. The delivery of services in social work, children's services and community mental health, which includes services with which Mrs Houston is involved, is linked with NHS mental health services, for example. What impact is there on that if an element from one service provider continues to have an inflation uplift while another service is undergoing a 25 per cent reduction?

Don Peebles: That perhaps goes to the heart of one of the committee's key questions, which is whether savings and cuts should be uniform across the board. The calculations that we undertook were for a 15 per cent cut across the board in the Scottish budget. It is quite easy for anybody to undertake that calculation. I am happy to go over the figures again for you. If we accept that there are those who will want to see health and wellbeing ring fenced, the biggest noticeable cut would be in local government. The level of the cut would increase from £1.3 billion to £2.4 billion and would be a 25 per cent cut over three years. If we want to ring fence local government, which has been spoken about, the biggest cut would disproportionately come to health and wellbeing; the cut would go up from £1.8 billion to £2.5 billion, which is a 21 per cent cut. That is simply the calculation on the headline figure. At local level, below that headline figure, the chances are that there would be further disproportionate impacts.

Jeremy Purvis: Can you expand on that theme?

Don Peebles: Our calculation was done on the current single headline figure. However, within that, there may be elements of local service protection that mean that areas will seek to protect their budget and not cut it in any way whatsoever.

Jeremy Purvis: As in statutory functions.

Don Peebles: Potentially, yes—that is right. In that case, you would have to strip out those areas that involve interaction with agencies that have on-going service delivery.

Jeremy Purvis: I do not know whether Professor Seddon has a view on this, but it is sometimes hard for the user of local services to define whether something is an NHS service or a council service. If we go to an accident and emergency service, it is easy for us to define that that is the NHS. However, it is very different for someone who is in one of the categories that Professor Seddon talked about, such as elderly, vulnerable people and those with mental health difficulties. A whole cohort of the community receives both health and council services, and they do not really make a distinction between, say, an occupational therapist from Scottish Borders Council or an occupational therapist from NHS Borders, in my area. However, if one area had zero reductions and the other had a 25 per cent reduction, what impact would that have on trying to gain improvements in the delivery of services at a local level? I imagine that that could be disastrous.

Colin Mair: Part of the issue is whether we define that by budget blocks. When people have talked about what needs protected, they have tended to say health and education. However, that does not necessarily refer to a Scottish Government budget line called health and wellbeing. You may not wish to protect much of that budget line. If we are spending £1.6 billion a year on emergency admission of older people to hospital, why do I want to protect that part of the budget line? I want to transform that part of the budget line. It is important to distinguish between a commitment to health and a commitment to the health budget as currently configured. Health boards work with councils, so some of the health budget would be deployed through a community health and care partnership, which would include physiotherapy and occupational therapy alongside social care services and so on. In a way, that partnership would then have to look at how it best uses resources that are available to the area—the total place point that was raised earlier—to promote the best outcomes for the people who live within the area.

On some elements, if we just take budget lines—which is understandable—I am not sure that we will be talking about anything that is particularly politically salient. Nobody wants to protect the entire health budget including the bureaucrats and so on. People want to protect certain front-line health services. We need to get much more specific if that is the discussion that we get into.

16:30

Jeremy Purvis: Does Anne Houston have any thoughts on that?

Anne Houston: On the overall budget, one example that we have just talked about is budgets being ring fenced. I am concerned about whether ring fencing at a high level and in the way that happens now meets local needs. That takes us back to the issue of local need and flexibility.

There are other issues. We have perhaps not discussed the issue of universal services and targeted services.

Jeremy Purvis: I appreciate that, but my specific question was whether Children 1st would have no concerns about zero reductions in the NHS budget, the consequences of which could well be massive reductions in council spend.

Anne Houston: Inevitably, that would mean that services could not be provided. We are already at the stage at which we do not have sufficient services for the most vulnerable people. A cut means a reduction in services, so there is obviously a concern.

Malcolm Chisholm (Edinburgh North and Leith) (Lab): I thank all the witnesses for their interesting comments. We do not have as much time as we would have liked, so I will ask just one question, which is for Professor Seddon. I have a lot of sympathy for what he says and I agree that empowering front-line staff is key to improving public services. However, I suppose that many people would think that he went a bit too far.

I will give two examples of that. First, Professor Seddon was negative about targets. He is mainly familiar with England so, sticking with England, I note that waiting times in the health service there have been revolutionised in the past 13 years. I have some experience of that in Scotland. Clinicians on the front line have probably been good at working out ways of reducing those times but, if they had not been set the targets, that would not have been a clinical priority. It is a patients' priority and it has not historically been a clinical priority. I accept that clinicians have been instrumental in delivering the change but, without the targets, how would it have taken place?

A second issue that the public might ask about is Professor Seddon's comments on inspection. Perhaps the most extreme example that one could think of relates to children's services. Things have gone wrong in social work—or social services, as they say in England—in dealing with the protection of children. Without external inspections, how would those issues have come to light publicly and how would they have been addressed?

Professor Seddon: I have only just started studying the health system. When I talked to people in it, I discovered that the waiting times problem was, in essence, cracked through two activities. The first was hiring more surgeons to come in on a Saturday on double time to deal with people. The second was combing the list to take people off it. That is not solving the problem.

A more general point is that, when people manage remotely from the top with targets, they will be fed data that demonstrate that the targets are being met. However, at the same time, the system is being distorted. People think things are getting better but, actually, they are getting worse. Children's services are a great example of that.

I ask Anne Houston whether Scotland has the integrated children's system?

Anne Houston: We have a level of integration, but the system is not entirely integrated.

Professor Seddon: In England, we have a computer system that is called the integrated children's system. It was introduced by Ed Balls and mandated into children's services. I am not the only academic who has studied it and observed that it undermines the achievement of purpose. Cases such as the Baby Peter one are running at three a week in England. The system manages the activity targets for seeing people and reporting. For example, if somebody goes into a house and has a problem with one child but there are six other children in the house, they have to fill in reports on seven children, not one. The judgment is taken away from the social workers, who spend all their time filling in forms on computers.

It is no surprise that Baby Peter was seen by up to 25 people on 60 occasions, because the system is designed to do that—we have published on that. The situation was not picked up by external inspection. In fact, the Office for Standards in Education, Children's Services and Skills said that Haringey Council was terrific, until the Government leaned on it to say that Shoesmith was at fault—I am sure that members have read that in the press. Inspection did not pick up children's problems. The problems with our children are systemic.

We find such a situation in other countries, too. We have worked with the youth service in Amsterdam, which is similar to children's and adults' services here. The children who need help in Holland—or in the Netherlands, I should say—are seen not by one person but by many people. We foist on those people bureaucracy and form filling and we do not focus social workers on what they want to do—to work with people to solve their problems and help them to live independently and so on. We drive away from that purpose and inspection does not help.

Anne Houston: As is inevitable, I could respond to a variety of points. The question was about the protection of children and what would have happened without inspection. The issue is what we inspect for and the questions that we ask. That must come down to quality, as well as numbers, and service user feedback.

Colin Mair talked about the need to involve communities in child protection. I was asked whether we are really putting children first if children still die in the horrendous way that they do. One point is that we can never guarantee that such a situation will never happen again—that is impossible.

Another point is that, in almost every traumatic and horrendous experience—when a child has died or been severely injured—people such as relatives, neighbours or others round about have had concerns. If we are thinking about a more

radical way of dealing with some of what we do, we can consider moving the rhetoric that child protection and child welfare are everyone's responsibility into reality, although that is not in place of social work or other services for vulnerable children. People in communities often have no idea what that rhetoric means and of how they take up that responsibility. Work must be done to help members of communities to understand what that means. Work must also be done with professionals to check out how they respond and feed back to members of communities who are involved. Helplines such as ParentLine, which provide the opportunity for people to give information anonymously, are one of many ways to involve people.

We need to do a big piece of radical work that will ultimately make our children safer. That involves quite a shift in emphasis, because we have gone far down the line of saying that, unless someone is related to a child, they must stand clear of the child. We know that some adults pass by children who are in clear distress because they are frightened of how people will see their motives. A big chunk of radical work could fundamentally change the protection of our children. That is not instead of professional services, but professional services alone cannot deal with the issue.

Tom McCabe: Even if we achieve that fairly large shift, will social workers still be able to intervene on the basis of information? Do they now have more of a monitoring role? If they are given the information, can they do something about it? If they do not do something, does that discourage the public from becoming involved?

Anne Houston: That relates to my comment that we also need to do work with professionals on their responses when they hear information. Professionals can and must be able to intervene, but robust and consistent assessment must take place throughout the process.

Good family support must also be provided. Often, a child can be kept in a family—that goes back to the early years argument that I made. In extreme examples, much more active intervention might be necessary but, more often than not, if family support is provided early enough, concerns can be worked through. A parent might just not know what to do—they might not know how to parent. People are not born knowing that. Sometimes, early intervention can prevent years of difficult behaviour and the provision of expensive services that are required later. Much of that relates to the radical rethink. My concern is that preventive services are at risk of being reduced because doing so provides an easier way to cut budgets when we look for public service cuts.

The area is very complex, but there is a lot of evidence about the retention of universal services. For example, health visitors, who have been reduced to providing a targeted service, used to spot some of the children who end up being hurt and, given that no one else is going into these households and that the community itself does not feel strong or confident enough to identify these children, I believe that we should look again at universal services. Indeed, it might well be a mistake to reduce early years prevention and the other services that are at high risk of going when people are looking for cuts, because doing so will simply store up major problems both financially and for the individuals concerned.

The Convener: David Whitton has the final question.

David Whitton: My question, which is for Mr Peebles, relates to the CIPFA submission. I want to hear a bit more about the total place initiative that was mentioned by the previous panel. I can understand how it might work in a city such as Birmingham, but I am not quite so clear how it would work in, say, Ayrshire, where there are three councils, or in Lanarkshire, where there are two. Could North Lanarkshire and South Lanarkshire work together in that way? I know that in the Clyde valley, which we have been discussing, eight different local authorities, including the two Lanarkshire councils, are working together to try to achieve some of what we have been discussing.

According to the CIPFA submission, total place was piloted in 13 areas and the report on the Birmingham pilot concluded that

"Services require to be built around people rather than agencies or organisations."

I suppose that that will be music to Professor Seddon's ears. Is there a lot of scope for considering the findings of the 13 pilot studies in the Scottish context?

Don Peebles: I am happy to pick up that question. With respect however, convener, I wonder whether I can make a comment that I was keen to make in the previous discussion about children's services.

The Convener: Please do.

Don Peebles: The most recent evidence on that issue probably comes from a report that was produced earlier this year by the Social Work Inspection Agency in Scotland, which found that in five years there was a 45 per cent increase in the social work budget while council resources increased by an overall 34 per cent. The report in question also said that

"in children's services, resources were not always used efficiently or effectively",

and it made it clear that improvement was down to

"a complex set of variables"

that, as well as "finance and resources", had to include

"good leadership, creative approaches to problem solving and effective long and short term planning."

Perhaps of most interest in the inquiry, though, is the report's conclusion that

"higher spending does not, in itself, lead to the provision of a better quality and range of services."

As for Mr Whitton's question on total place, we made those comments in our submission in response to the specific request in the consultation for your inquiry to identify initiatives in other countries. We felt that we had to look no further than south of the border to total place. I realise that the initiative has its critics as well as its supporters, but it covers a range of pilot areas that will, at the end of the pilot period, provide empirical evidence. I accept your point that Birmingham is different from South Ayrshire and, on the question whether total place can work in Scotland, I have to say that I see links between its approach and a community budgeting initiative that was introduced in Scotland about eight years ago and which was piloted in one of the Ayrshire councils. Somewhere in what is now the Scottish Government, there will be some evidence about the extent to which the approach in question has previously operated.

I do not want to promote total place as being the complete answer to all the problems that we are facing. However, it might well form part of the complex suite of measures that we will require. The evidence that we have examined so far indicates that the pilots were successful; if we accept that English localities are different from those in Scotland, it appears that the initiative is worth looking at instead of being dismissed out of hand.

The Convener: Mr Peebles has anticipated my next question, which is whether anyone has any final comments. I see that that is the case.

16:45

Anne Houston: I will respond to what has just been said. I in no way disagree on the point that higher spend does not necessarily mean improved services. However, where the number and kind of services that are provided already do not respond to need, a cut on top of that will not help us to protect children or to ensure their welfare.

The voluntary sector can bring useful planning expertise and innovation to the planning table, so it is important that those of us who have that sort of expertise are allowed, and encouraged, to bring it to the planning table, whether or not that is with the Government. It is something that we also try to do within local authorities, in order to assist the process.

We sometimes view things from a slightly different perspective, because of the nature of our services. It is not a matter of good, bad or indifferent; it is about reality. We should bring as many perspectives as possible to the table, especially now, when we are having to consider how best we can all provide the services that we know people need.

Colin Mair: The total place initiative leads us to ask questions. We have community planning partnerships, and all of them, in each part of Scotland, have signed off a single outcome agreement. They have signed up to what are fundamental corporate commitments on the part of all organisations. If things are not happening, it is partly to do with how people are being tasked. When we pressed chief executives, chief constables and others on their P45 indicators—what gets people sacked, because that is what tends to motivate people—it was interesting to note that that did not look much like the SOA. In a sense, we have created a framework, and—

Tom McCabe: Murder might get someone sacked.

Colin Mair: We might have the structures in place, and the question is around how we work with those structures and how we use them, from the national level down, to get people to commit and engage with them.

I will make a further observation on a point that was raised during the previous evidence session. It ill behoves me to interpret on its behalf the sacred evidence that was provided by COSLA, but when its witnesses said "boundaries", they meant that. They were saying that there is not a case for taking a principled look at how we could redevise the public sector. Shuffling boundaries around, as we have tended to do before, without bothering to consider what they were the boundaries of, would be a thoroughly unproductive approach at this point. We entirely support that view from the perspective of improving services.

Don Peebles: It is important to understand that total place was introduced against a certain background: 13 years ago, there was an understandable expectation of underinvestment in public services. At that time, standards and targets were used as levers to drive up performance. Much has been said about standards and targets during this evidence session, and I accept that there is some drag from that time, perhaps with an overproliferation of such mechanisms. Total place, judging from an examination of the available information, represents an opportunity to cut across the bureaucracy and to understand the

level of spend in a community, as well as the outcomes, and to identify and map out who and where are the proper recipients of public expenditure. Something will turn out to be critical.

Professor Seddon: We have so many initiatives in England that are destined to succeed; total place is one of them. I will send you a paper that I wrote about the methodology of total place. It has the same weakness as the methodology for activity-based costing. One of the inventors of activity-based costing was Professor Thomas Johnson, but 10 years after he invented it, he told people, "No—don't use it. It's the wrong thing to do." When we study the cost of things, as we do in total place, we might know the cost, but without knowing the value.

If we are to do sensible things as a consequence of learning about their cost, we need to measure their value, lest we make a bad mistake. People will be unlikely to do that, however. They are much more likely to be led down the path of thinking, "We all do information technology, so why not share that IT?" or, "We all do human resources, so why not share that HR?" We have evidence from Stockport Metropolitan Borough Council: it redesigned and improved its IT helpdesk, which now operates at 17 per cent lower cost. If Stockport had shared that facility, all that cost would have been locked in—if that makes sense. Improvement comes from redesign. Measuring of cost does not, in itself, tell us enough about value.

That relates to the committee's earlier discussion about waste. The current plans in Westminster to save £12 billion of waste in the public sector are largely based on having more factories and more economies of scale. Factories create their own waste, however. When we industrialise a service, we create more demand. Why? It is because citizens find it harder to get services. Projects are evaluated on reductions in transaction costs, but I warn the committee that the end-to-end costs of a service go up, because it takes more transactions to get that service.

My fear is that total place would lead to such decisions, with more shared services, more factories, worse services and higher costs. Study value. When you learn to study and manage value, you drive costs out of a system. We must never manage costs—when we do that, the costs go up.

The Convener: This has been a long and useful session, which has covered a wide range of topics, for which I thank our witnesses. Your contribution today will be very helpful to the committee.

Meeting closed at 16:51.

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