



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

### FINANCE COMMITTEE

Tuesday 18 May 2010

Session 3

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**FINANCE COMMITTEE**  
**14<sup>th</sup> 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:**

Gary Gillespie (Scottish Government Strategy and Ministerial Support Directorate)  
John Swinney (Cabinet Secretary for Finance and Sustainable Growth)

**CLERK TO THE COMMITTEE**

James Johnston

**LOCATION**

Committee Room 4



## Scottish Parliament

### Finance Committee

*Tuesday 18 May 2010*

[The Convener *opened the meeting at 14:00*]

### Decision on Taking Business in Private

**The Convener (Andrew Welsh):** Good afternoon, and welcome to the 14<sup>th</sup> meeting of the Finance Committee in 2010, in the third session of the Scottish Parliament. I ask everyone to turn off mobile phones and pagers.

Agenda item 1 is to decide whether to take items 3 and 4 in private, and whether to consider the draft report on our inquiry into efficient public services in private at future meetings. I propose that we do so. Are members agreed?

**Members** *indicated agreement.*

## Budget Strategy Phase 2011-12

14:01

**The Convener:** Item 2 is to conclude the evidence taking on our inquiry into efficient public services. I welcome to the meeting John Swinney MSP, Cabinet Secretary for Finance and Sustainable Growth. He is accompanied by Gary Gillespie, deputy director in the office of the chief economic adviser; Craig Russell, deputy director in charge of efficiency and transformational government; and Alyson Stafford, director of finance. I invite the cabinet secretary to make an opening statement.

**John Swinney (Cabinet Secretary for Finance and Sustainable Growth):** Thank you, convener. I will make some brief opening remarks to the committee. I welcome the strategic budget inquiry that the committee has undertaken, which is examining efficient public services. The discussion takes place against the backdrop of the medium-term outlook for the public finances, which certainly presents significant challenges to the Scottish Government and the Scottish Parliament alike, and to our counterparts in the United Kingdom. The committee's inquiry has an important contribution to make as we prepare for those challenges, so I look forward to considering the committee's report in due course.

The scale of the challenges was documented in the analysis that was produced by the chief economic adviser last month. I know that the committee spent some time last week looking at the detail of that document. The analysis forecasts that between 2010-11 and 2014-15 the Scottish Government departmental expenditure limit could fall by an average of 2.9 per cent per annum. By 2014-15, annual Scottish Government DEL could be £3.7 billion, or 12 per cent, lower in real terms than the 2009-10 budget. Those figures are based on figures that were provided by the then Chancellor of the Exchequer alongside the budget on 24 March, which were commented on by the Institute of Fiscal Studies.

As with any forecast, a range of assumptions must be taken into account, but it is an undeniable fact that we are entering a period of significant financial constraint. Much, of course, remains uncertain; we now have a new UK Government, but we do not yet have all the details about the likely timing of the UK spending review and what impact it will have on the public finances of Scotland. We now know that there will be an emergency UK budget for 2010-11, and the implications of that will be set out in the budget for Scotland. The recently published coalition agreement discusses reductions in UK public spending of £6 billion through the emergency UK

budget, and we are promised further details on Monday, with a budget to follow on 22 June. We are, of course, making representations to the UK Government calling for clarity about its intentions for the economy and the public finances, and for a fair budget settlement for Scotland. The First Minister and I had a constructive discussion with the Prime Minister and the Secretary of State for Scotland last week, which I followed up with a discussion with the chancellor yesterday. I hope to have an early conversation with the Chief Secretary to the Treasury, too.

In relation to the prospect of an emergency budget in the UK for 2010-11, we will need to consider carefully the implications of any cuts that are imposed upon us. However, in the light of the flexibility on timing that has been confirmed by the coalition Government, the Scottish Government's preference would be to delay the application of any reductions from 2010-11 to 2011-12. Although any change in the cuts will present challenges, the tight financial controls that I have established and which are operated by the director of finance will respond effectively to that process.

In relation to the next spending review, we are preparing as best as we can, despite the many uncertainties that exist. The committee's current work is, of course, an important part of that preparation. We have also commissioned an independent budget review to provide dispassionate advice about the challenges and choices that lie ahead, which will report in July.

The committee has made efficient delivery of public services the focus of its inquiry, and the Government is giving careful consideration to the next steps in its efficiency programme. The current programme is due to conclude this year, and we are on track to deliver our 2010-11 in-year target of £1.6 billion of efficiency savings. The achievements of the current efficiency programme, together with the reductions in operational costs that form part of our 2010-11 budget, our simplification agenda and the measures that are included in the Public Services Reform (Scotland) Act 2010, equip us well to face the future. We have announced our intention to carry forward no less than a 2 per cent efficiency saving target into the next spending review period.

More broadly, we can expect the United Kingdom Government to progress the debate about the financial responsibilities of the Scottish Parliament. The Scottish Government will engage fully in that process to ensure that we establish the correct financial powers for Scotland, including strengthened borrowing powers.

Together, those issues are of critical importance to all of us, and I look forward to working with the committee over the coming months as we address them.

**The Convener:** I will start with a general question. The Welsh First Minister has established an efficiency and innovation programme board that is chaired by the Minister for Business and Budget. The board comprises public sector leaders and its purpose is to improve public services in this time of budgetary restraint. Among other things, it will encourage organisations to achieve significant improvements in efficiency and it will involve citizens in designing and delivering services. Have you considered the merits of establishing a similar board in Scotland?

**John Swinney:** I have not established a comparable board or institution. However, all the subject matter that you outlined is material in which the Scottish Government and, indeed, our predecessors in the Scottish Executive have been heavily involved for a number of years. The efficient government programme that commenced in 2005 and which has been taken forward by the current Administration has been a systematic process of delivering greater efficiency in public services.

Another strand is work that was initiated by the previous Administration on a review of procurement, which has been led by John McClelland. That has developed to become the public procurement reform board, which I chair. The board brings together representatives from the Scottish Government, the agency sector, the local authority community and the universities to analyse performance in improving procurement of public services at local level. We procure about £8 billion of services annually, which is a significant part of the total block of Scottish expenditure. Other groupings within the Government are addressing issues such as sharing of services. That work is being taken forward in partnership between the Government agencies and our local authority partners, and that dialogue feeds into the thinking in my office.

Although we do not have a comparable institutional structure to that which exists in Wales, I am confident that the subjects, issues and areas that are being examined by the reform board in Wales are being adequately covered in Scotland.

**The Convener:** Thank you. Tom McCabe will ask about the impact of likely budget reductions.

**Tom McCabe (Hamilton South) (Lab):** Good afternoon, cabinet secretary. I have three quite short questions. First, there has been a lot of talk about budget cuts and there is a general recognition that those that are coming along may be unprecedented in their severity, although so far very little is known of the specifics. There has been talk of health, education and other particular services being protected, but we have heard a lot of evidence that certain groups—in particular, vulnerable groups—should also be protected. We

have also heard not only that we should not cut children's services, but that we should invest in them because that investment would pay great dividends in the future. Do you have a view on that? Do you have any information about specifics regarding cuts? Do you have a strategy for protecting services or specific groups?

Secondly, you said that you will take advantage of the flexibility that seems to be on offer from the new chancellor. If there is general acceptance and recognition that the problem is pretty big and unprecedented, it is fair to say that the longer you delay making cuts, the heavier the pain will be eventually. Why do you want to delay until 2011-12 rather than get on with the work now and try to sort things out sooner rather than later?

Thirdly, you mentioned that the Public Services Reform (Scotland) Act 2010 contains many aspects that put you in a good position with regard to the forthcoming difficulties. From memory, it would save about £13 million over three or four years. Although you and I would both like to have £13 million, it is a drop in the ocean in your overall budget. What specific part of the act do you think puts you in a good position in the economic climate that we are about to face?

**John Swinney:** I will take each of those questions in turn. Mr McCabe asked about decisions to be taken on the financial framework. Although we have a new Government, there are still many uncertainties. My expectation is that we will have in the next week or so detail on the £6 billion of cuts in the 2010-11 budget that the new United Kingdom Government intends to make. Out of that total, there will be a calculation of the negative consequential on Scotland. We will consider that carefully and assess it to ensure that we agree that the conclusions that are arrived at in that process are appropriate as regards the consequential impact on Scotland.

The second part of the process that will be significant for us will be about identifying the shape of public expenditure from 2011-12 onwards. I do not imagine that I will have the detail of that until the spending review in the autumn—it is highly unlikely that we will get that detail in the budget on 22 June. There is a period of discussion and preparation ahead, which is why the independent budget review is significant for us. It will provide a dispassionate contribution to some of the issues that we might have to address and the choices that we have to make.

In establishing the group's remit earlier this year, I tried to give the independent budget review a set of challenges that relate to the outcomes that we all want to see coming out of the budget process that we have to go through as a Parliament. I am not passing the responsibility to the budget review; I am looking to it to inform our

debate. I was trying to structure some of the principal issues that need to be addressed in that context. One of those is at point 4 of the remit and is about the importance of protecting and supporting the most vulnerable people in our society. In other aspects of the remit, we talk about the importance of economic growth, efficiency and value for money. We also talk about the importance of services being designed with the needs of the citizen absolutely at their heart. That might sound like a statement of the bleeding obvious, but that consideration often needs to be reinforced in the design of public services.

The choices that we arrive at and debate as a Parliament in the remainder of this year and the start of 2011 will be informed by the outcomes of those exercises. Ensuring that we protect the most vulnerable people in our society will be one of the important considerations that we take forward.

**Tom McCabe:** If I may interrupt you, are you saying that if the budget review group came back and said, "You must not protect health or education; it's too big a hit on other services," you would be minded to agree?

14:15

**John Swinney:** I am saying that I want our debate to be informed by the conclusions of the independent budget review, but it is clear that it is not for the independent budget review group to write our budget. I am not passing responsibility for that to the review group. We would have to reflect on the outcome of the independent budget review and hold dialogue in Parliament with colleagues across the political spectrum to determine what the most appropriate choices were.

**Tom McCabe:** I am sorry to have interrupted.

**John Swinney:** Not at all.

Mr McCabe's second question was about the flexibility that the chancellor has offered the Scottish Government, the Welsh Assembly Government and the Northern Ireland Executive. He asked why we would not want to get on with taking the pain this year, which is a very reasonable question. Given that the issue is coming towards us, there is an argument that says that we should get on with confronting it.

The view that I take—which is one that I have sustained and which I think represents the view of the majority of members in Parliament—is that public expenditure has been fundamental to navigating our way through the difficulties of the economic recession over the past few years. Anyone who looks at the data that are emerging on the economic recovery could conclude only that that recovery is pretty fragile; it is welcome, but

fragile. The judgment that I have taken on the matter is that it is a necessity, at this critical time, that we maintain effective public expenditure to get us past the difficulties of recession. That is why at this stage, with that flexibility on offer, my preference is to look to defer taking the impact of the budget cuts until 2011-12.

None of that is to understate the impact on 2011-12. I would not want to do that, because that would present us with a highly significant challenge. The one caveat to insert into what I said about the approach that I plan to take is that if there are areas where I think obvious opportunities exist for us to take decisions that will not impact on economic recovery but will allow us to address some of the cuts that will be required, I will give consideration to those possibilities in the course of 2010-11. However, my preference, in principle, is to defer until 2011-12.

The final question was on the Public Services Reform (Scotland) Act 2010, which gave us two advantages in meeting the challenges that we face. First, the necessary measures that it took to streamline the scrutiny and regulatory landscape will mean that savings will be made on the operation of public services, which will become apparent once the new scrutiny bodies begin their work. Secondly, the order-making powers that the act contains are significant. They give us an efficient mechanism for further rationalisation of the public-body landscape in Scotland, which the Government wishes to address as part of its agenda. Those are two important attributes.

I know that Mr McCabe will not take this view because he said as much in Parliament when the Public Services Reform (Scotland) Bill was being debated, but we cannot see the bill as encapsulating public service reform. There is a lot more that must be done on public service reform and public service efficiency that is part of the ordinary agenda of Government and which is certainly not driven by the bill. I think that Mr McCabe made that point in Parliament.

**Derek Brownlee (South of Scotland) (Con):** I want to pick up on what you said about flexibility as regards 2010-11 and in-year reduction. The possibility of an in-year reduction is not new—the First Minister has been railing against it for some months. I accept that your preference is not to reduce spending in 2010-11 because of the perceived economic impact that such a reduction would have in Scotland, but has the Scottish Government done an assessment of areas in which you would be able to make in-year reductions or in which such reductions would have less impact?

**John Swinney:** I have asked for contingency work to be prepared to deal with the possibility of in-year adjustments and of not having the flexibility

that the coalition agreement has confirmed. I will of course consider that work in the context of knowing the challenge that we must deal with.

**Derek Brownlee:** If I have correctly picked up what you said, the rationale for not introducing reductions in 2010-11 and deferring them to 2011-12 relates to the impact on the Scottish economy. To the extent that you pay the salary of a public service employee who works and lives in Scotland, we can see how that money is recycled into the Scottish economy fairly directly.

You also mentioned procurement. Money needs to be expended on many fairly substantial contracts, but the full force of that expenditure does not necessarily go into the Scottish economy. In your assessment of the impact of your budget and your budget choices on the growth of the Scottish economy, has an attempt been made to take a subtle view about the proportion of spending that finds its way into the Scottish economy as opposed to the proportions that find their way into the economy of the rest of the UK or the world? Does the analysis go into that depth?

**John Swinney:** Do you mean in relation to the procurement spend?

**Derek Brownlee:** I mean in relation to any spend.

**John Swinney:** Gary Gillespie will cover the details of how the question is considered in the input-output model for the Scottish economy. That is a principal measure of the economic impact of public expenditure and of the choices that we make.

Mr Brownlee is familiar with the procurement rules under which we must operate. We can take subtle approaches in the design of contracts. For example, we can take into account factors such as the carbon footprint, which affects where goods and services are supplied from. That can begin to structure the economic impact that arises from our procurement spend. However, we must operate within well-established and designed rules about the openness of procurement processes. In short, we simply cannot take the view that something must come from Scotland before we buy it, however much we might wish to do that.

All procurement contracts are structured with the desire to deliver effective service and value for money. That relationship is significant to what we hope to achieve from the procurement agenda. In several areas, we have successfully leveraged value into the Scottish economy and into the public purse as a consequence of decisions that we have taken on those contracts.

**Gary Gillespie (Scottish Government Strategy and Ministerial Support Directorate):** I



will comment on the input-output point. Scotland has a small open economy—two thirds of our trade is with the rest of the UK. When we do estimates in relation to the capital acceleration of £350 million, for example, imports from outwith the rest of the UK are built into the linkage structure. The model calculates the multipliers and the leakages out of the system, so we do what Derek Brownlee asks for. When we estimate that 5,000 jobs are supported, we do so after adjusting for what goes to the rest of the UK and vice versa.

**Derek Brownlee:** In simple terms, if more is put into the input-output model, does more automatically come out? Does that model always produce a higher output on the basis of higher public spending?

**Gary Gillespie:** The model does that only if the capacity exists in the economy. If the economy has the capacity and is growing at a high rate, Government spending will just displace expenditure elsewhere in the economy, and the benefit might not be felt. The rationale for capital acceleration in the past 18 months has been a collapse in private sector demand, so firms and capacity are available. The Government's expenditure generates the jobs.

**John Swinney:** We have tried to design our approach to procurement to maximise the opportunities for local small and medium-sized enterprises. We have done that through public contracts Scotland, which I may have mentioned previously to the committee. It is a useful website on which suppliers can register their interest in tendering for public sector work. Public sector contracts are advertised in what is essentially a one-stop shop, which saves some of the smaller companies from having to search around for contracts. The feedback that I have had from the SME community indicates that the website is very much appreciated. Obviously, it does not guarantee work, but it improves accessibility to contracts.

**Derek Brownlee:** I think I picked up correctly your suggestion that there is a parliamentary majority in favour of not making reductions this year, but instead deferring them until 2011-12. You do not need parliamentary authority not to spend your full budget. Would you seek the approval of Parliament for downward changes you might make to the budget?

**John Swinney:** The point that I was articulating was that I thought that there was a parliamentary majority to use public expenditure on a planned basis in order to make the maximum economic impact. That is what I take from the stances that have been assumed by different parties in Parliament. I would not feel it necessary to seek parliamentary consent to spend a budget for which I already have parliamentary consent.

**David Whitton (Strathkelvin and Bearsden) (Lab):** I assume that the stated primary purpose is still sustained economic growth.

**John Swinney:** Yes.

**David Whitton:** Mr McCabe mentioned the Public Services Reform (Scotland) Act 2010, and you said that you are considering measures now, even though you are inclined to defer the pain for another year. Are you considering a recruitment freeze for this year? Have you said to heads of department that they should be looking at manning levels? You said on television last night that there will be no compulsory redundancies, but one way of staving that off is by non-replacement of vacancies. Has that type of instruction gone out already?

**John Swinney:** I have made it clear, on a number of issues, how I think we have to adapt to what I would call the new climate on public expenditure. Mr Whitton has commented publicly on one issue, which is costs related to the water industry commissioner. I can understand why Mr Whitton has made those comments—in fact, I agree with them. There is a need for organisations to think carefully about how they spend public money, and that type of guidance has been made clear.

In relation to head count, the overwhelming majority of costs in the public sector relate to salaries. Clearly, employee numbers and salary levels are important factors. I expect all public service managers to be carefully considering their approach to utilisation of resources in order to ensure that we have the appropriate resources in place to deliver the public services that we all want. In other areas, such as travel bills, there have been reductions, and there have been reductions in other internal costs of Government. The committee will be familiar with the exacting budget that I have put in place in relation to Government administration for 2010-11. That will be quite a significant target to achieve. All those issues are very much on the agenda.

14:30

**Linda Fabiani (Central Scotland) (SNP):** I will pick up on procurement. I am pleased about the SME portal, public contracts Scotland, but, beyond that, is there a mechanism in procurement assessment that looks at true value for money, as opposed to economies of scale producing the cheapest option? In the holistic sense, there may be better value in something that directly affects the community, whether it be local employment or something else.

**John Swinney:** I can certainly reassure you that in all procurement contracts a balance is constructed between the significance that is

attached to consideration of price and the significance that is attached to the consideration of other factors, such as sustainability and concepts such as community benefit clauses. An equation is constructed at the time of tender that looks at how the assessment will take those factors into account. Not every contract is given out because the cheapest price is achieved. Other assessments of the type that you mention will be undertaken.

**Linda Fabiani:** Does central Government have the influence to ensure that that happens in other forms of public sector procurement, for example in relation to health boards or local authorities?

**John Swinney:** We have that influence in relation to health boards but not in relation to local authorities, because they are independent statutory undertakings. They increasingly collaborate through Scotland Excel, which manages a great deal of local authority procurement. Scotland Excel and the local authorities are contributors to and members of the public procurement reform board, so we have the opportunity to consider all the issues that they raise.

**Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD):** I will start with a question on the big picture. As you say, Dr Goudie was before the committee at last week's meeting. Do you believe that the Scottish Government should, in the years going forward, receive no reductions in its devolved budget?

**John Swinney:** I accept that, under the current arrangements that are in place, if the United Kingdom Government reduces public expenditure in the fashion that was set out and proposed in the budget and which is implicit in the Fiscal Responsibility Act 2010, that will, in respect of the statement of funding policy, have an implication for Scotland, which will result in our budget reducing. That is a statement of why we are where we are, if I can put it like that.

**Jeremy Purvis:** I understand, and I think that everyone understands, that that is factually the case, but what is the Scottish Government's position? Does it believe that, even within that mechanism, there should be no reductions, because of a particular case for Scotland, your own belief or whatever? What is the public being told to think?

**John Swinney:** Clearly, the Government's preference is for there not to be spending cuts. That is the Government's position and that is what we argued. We have argued, and will continue to argue, in favour of choices being made that lead to an approach that does not involve an impact on Scotland such as I have set out. For example, the UK Government could have decided not to spend

money on Trident nuclear missiles. That would obviously be a spending cut, and it would be one that—to answer Mr Purvis's question—I would approve of, but it would also be one that would not have an impact on the Scottish budget, because there is no comparability on defence expenditure.

I am making two points. There are choices to be made at a UK level that could see the Scottish budget not being affected—that would be the case, for example, if my suggested approach was taken to Trident. There are other, consequential changes that follow from the application of the current statement of funding policy.

**Jeremy Purvis:** With regard to Trident, has the Scottish Government done a formal analysis of the annual costs? What are the costs for next year or the year after that, and what would the savings be? Has the Scottish Government done that work?

**John Swinney:** I think that that material is all publicly available.

**Jeremy Purvis:** From the Scottish Government?

**John Swinney:** It will be publicly available from the United Kingdom Government.

**Jeremy Purvis:** Right, but the Scottish Government has not done any specific work on how the devolved budget would be protected if Trident was not replaced.

**John Swinney:** I do not need to send my civil servants off to do a weighty analysis on that. I know full well that, on defence public expenditure, the comparability factors are in Scotland's favour.

**Jeremy Purvis:** It is clear from answers to parliamentary questions that the Scottish Government has analysed the share with regard to the House of Lords. It seems interesting that it has not necessarily done the same work on Trident.

**John Swinney:** Work might well have been undertaken as part of the work in connection with the national conversation. I do not have the information in front of me today, but that might well be the case. If there is a need for me to clarify that to the committee, I will write to the convener promptly to set that out.

**The Convener:** That is appreciated.

**Jeremy Purvis:** The matter is of interest. If the Scottish Government is saying that it believes that the Scottish budget can remain protected from any reductions in the years ahead and it has calculated how that can be done, it would be helpful for that information to be presented to the committee. We have Dr Goudie's paper, which includes estimates up to 2020-21, but it would be interesting also to have the Government's comparable assessment of the annual savings that could be made at a UK level that would mean

that the Scottish Government's budget continued to grow in real terms. I presume that the Government has that information.

**John Swinney:** The Government will have undertaken work in relation to the analysis of UK public expenditure. Whether it is assembled in the fashion that is set out in Dr Goudie's paper is another matter, because that is obviously a document that he prepared. Obviously, I can consider the point that Mr Purvis has raised.

**Jeremy Purvis:** With regard to decisions that have been taken by the Scottish Government, the committee has received quite a lot of evidence about data, benchmarking, targets, outcomes and so on. I wonder about the effects of the mechanisms that the Government has established. Can you give any examples of areas in which the information that is available on the Scotland performs website has shaped spending decisions?

**John Swinney:** Let me put the Scotland performs information in context. Scotland performs is an information tool. As I have said to the committee before, I do not consider it perfect, but it is a helpful tool. Essentially, it tabulates whether we are making progress in the direction that we think is correct for the development of Scotland as a country. It is not a report card on the Government. It is about the Government setting up an information vehicle that can be used to judge whether we are making the appropriate progress towards creating a more successful country.

Many of the decisions that influence whether we are able successfully to travel on that journey are not decisions that can be taken one day in the knowledge that we will see the results in 12 months' time. Many of the issues, whether they are about health inequalities, poverty, educational opportunities or educational achievement, are not 12-month issues but issues that will take a lot longer to address.

Indeed, much of our work on health inequalities builds on work that was done not only by the previous Government but by its predecessors into the bargain. Essentially, Scotland performs gives us an assessment as to whether, in the medium term, we are on the right track.

As a consequence, issues about our performance that are raised by Scotland performs are essentially issues for consideration from one spending review to another. Essentially, a spending review sets out the direction of travel that is to be followed. The Scotland performs website can help us, at the end of that process, to assess whether a desirable amount of progress is being made.

However, one caveat to that is when there are circumstances such as the very abrupt change in

economic performance that we have experienced in the past two years. In those circumstances, we have taken a fundamentally different set of decisions that involved changing our spending priorities and both the focus and the timing of our capital expenditure. In addition, more timeously than might ordinarily have been planned, we have deployed European funding to ensure that more training and educational capacity is available. In a variety of different ways, the information thrown up by the Scotland performs website, particularly about economic performance, has resulted in our changing our priorities in the course of the Administration.

**Jeremy Purvis:** Let me turn to efficiency savings. In your opening statement, you mentioned the amount that has been released under the efficient government programme that could then be spent elsewhere in the public sector. You also said that, regardless of what else is in the next spending review, the 2 per cent efficiency savings target will be carried forward. Will public bodies be able to retain those efficiencies under that extension of the 2 per cent target?

**John Swinney:** That is a judgment that I have not come to as yet.

**Jeremy Purvis:** Given that the 2 per cent savings target will be carried forward, when will you make a decision on whether public bodies will be able to retain the efficiencies that they make?

**John Swinney:** I will make that decision in the course of the spending review in the autumn, before I set the 2011-12 draft budget.

**Jeremy Purvis:** What factors will be taken into consideration? Given that the Government's rationale for the 2 per cent efficiency savings target is that public bodies have been able to retain the savings for use in front-line services, does that mean that, if they are not allowed to retain those efficiency savings, front-line services will be harmed?

**John Swinney:** Obviously, we are in a very different spending environment—with a set of numbers for 2011-12 and for the succeeding three years of which I do not yet have sight—so it is impossible for me to answer that question at this stage. I will certainly make clear the approach that we intend to take on that when I have the spending review numbers and we can make our choices.

**Jeremy Purvis:** If you are considering that public bodies might not retain their 2 per cent efficiency savings, you must consider that, theoretically, 2 per cent could be taken from each budget without harm being done to front-line services.

**John Swinney:** In the efficient government programme just now, not all the 2 per cent efficiency savings across the whole of Government are retained locally. Some of those are, essentially, taken into a central pool and redistributed. In a number of cases, the savings are retained within the spending area. All that I am suggesting is that we will consider whether to continue the current rules for the efficient government programme.

**Jeremy Purvis:** Will you consider exempting some areas of spending? Last night on television, you said that consequentials from health spending in the UK budget would be spent on health by the Scottish Government. Will health be exempted from any 2 per cent reductions, if a decision is made that public bodies should not be able to retain their spending efficiencies?

**John Swinney:** The 2 per cent efficiency savings are retained within the health portfolio at the moment, and I certainly have no plans to change that. Convener, I think that we are getting into an area where the committee must accept that I am not in a position to give a definitive answer because we are dealing with a set of decisions that I have yet to take. However, I will be happy to discuss those with the committee when I take them.

**The Convener:** Yes, that seems only fair.

14:45

**Jeremy Purvis:** That is fair, but today is the first time that we have heard from the Government that savings will not necessarily be retained. That is germane to our report.

**John Swinney:** It is purely and simply an expression of the status quo. The current position is that not all the 2 per cent efficiency savings are retained in portfolios.

**Jeremy Purvis:** It is not the status quo that you have been considering—

**John Swinney:** I have not yet got to the new status quo, because the spending review has not yet taken place. Here is hoping for a new status quo. We have new status quos all the time in politics.

**The Convener:** I would rather not conjure with that. Malcolm Chisholm has been waiting patiently, but Jeremy Purvis may ask one last quick question.

**Jeremy Purvis:** Will the Government consult separately, outside the normal budget process, on the issue of whether the public bodies that can currently retain savings will be able to retain them?

**John Swinney:** That is a material factor in my consideration of issues relating to the budget and

the financial arrangements. We must be clear about what is meant by consultation. I talk to people all the time. If we have a separate consultation exercise on every question that I must determine, we will have a lot of consultation exercises and, no doubt, a lot of parliamentary questions complaining about the number of consultation exercises that we have. I am happy to receive representations on the point, which Parliament will consider.

**The Convener:** Malcolm Chisholm has seen several of his very good questions disappear, but I am sure that his vast experience in two Parliaments will ensure that several good questions remain.

**Malcolm Chisholm (Edinburgh North and Leith) (Lab):** I will pursue one specific line of questioning. However, before I do so, I will take you back to the generality, cabinet secretary. You will not be surprised to learn that no witnesses have suggested that there is a single, straightforward way of dealing with reduced budgets. Specific suggestions have included procurement reform, which we have already discussed, new approaches to public sector pay, which I would like to ask you about, and greater use of collaboration, shared services and benchmarking. Will you clarify to what extent the Government has explored the different options and to what extent it has handed over that task, for the time being, to the independent budget review group? On a related point, have you already ruled out certain options, or are you genuinely open minded as you await the external advisers' report?

**John Swinney:** You raise a number of issues. The first is a material consideration for us when we look at the challenge that lies ahead, especially in relation to the £6 billion of spending cuts that are proposed for this year. The chancellor has suggested a number of generic themes. Four of them are reductions in consultancy and travel costs, reductions in supplier contracts, reductions in property costs and savings in information technology spending. I am sure that there will be opportunities to deliver those savings in the United Kingdom Government.

Let us say that a price tag of £2 billion is placed beside the four headings. If the savings come out of a range of departments that have comparability with Scotland and the consequential impact in Scotland is £130 million, I must find that money from the Scottish budget. I do not necessarily have the option of making the savings from reductions in consultancy costs, IT spending, supplier contracts and property costs. I assert to the committee—I am sure that there will be a welcoming and sceptical audience—that we are already far down the track on many of those routes to delivering value for money.

We are years ahead of the UK Government on procurement reform. That is because of the initiative that the previous Administration took in setting up the McClelland review, which gave us a head start. The efficient government programme has been more systematic in Scotland than in the rest of the UK. While the UK Government may be able to find some of those savings, opportunities in Scotland do not necessarily exist in comparable areas. I am not saying that there is no opportunity for us to deliver value—of course there is; we are constantly able to do that. I am saying that, in making good the differences about which the chancellor is talking, the comparable opportunities may not exist. That is the first key point.

I turn to the other areas that Malcolm Chisholm raised. The Government is trying to lead a process that encourages the public sector to be constantly mindful of the effective use of resources. In deciding how those resources should be used to greatest effect, the concept of the outcomes that we are trying to achieve is key. Surely the test of the effectiveness and impact of the public expenditure that we are undertaking is whether we are delivering the satisfactory and appropriate outcomes that members of public expect.

**Malcolm Chisholm:** Obviously, public sector pay is a big issue. Will you tell the committee the extent to which you have made up your mind on the issue and closed down options, or whether you remain genuinely open minded? What have you definitely decided on public sector pay, if anything, or are you waiting for the budget review group to come forward with options?

**John Swinney:** Clearly, I have asked the budget review group to undertake a particular task. I expect the group to report in July and we will consider carefully what it says. We will not have the output of a comprehensive spending review before the United Kingdom Parliament reconvenes, which it might do in September—not like in the old days when Mr Chisholm, Mr Welsh and I were away until October—with the comprehensive spending review not coming until October. That gives the Scottish Parliament the opportunity to consider and debate the issues around the independent budget review group's report, which will be a helpful part of our preparations for the choices that have to be made. There is an opportunity for a good amount of debate and engagement around the issue.

Pay is a significant issue, given that it accounts for at least 60 per cent of Scottish departmental resource expenditure—in fact, it is the key variable. In terms of the pay policies that are in place, we have published the amounts at all levels for 2010-11, for which year there is a basic award of 1 per cent for staff and a total pay bill increase of 2 per cent.

By the time that we get to March 2011, no Government-agreed pay deals will be in force—all the three-year deals will have come to a conclusion. The pay policy that we will set out will be driven by the budget numbers that we receive. It will be a heavily constrained pay policy. If I were asked to say where I think we will end up, I would say that the basic award of 1 per cent is at the very summit of what could possibly be put in place for 2011-12. I would expect the number to be lower than that. I had dialogue with the previous Chief Secretary to the Treasury and my counterparts in Wales and Northern Ireland on our collective approach to pay. I look to continue that discussion with the new chief secretary when I have the opportunity to do so.

**Malcolm Chisholm:** Are you just thinking of across-the-board settlements, or are you modelling different options—for example, pay freezes above a certain level?

**John Swinney:** There is clearly a world of difference between people who are on salaries of the order of £12,000 to £15,000 and those who are on salaries of £120,000, so, yes, I acknowledge that there has to be a greater—

**Malcolm Chisholm:** But are you doing different modelling? Are you only thinking of salaries that are that high?

**John Swinney:** I plucked those numbers out of thin air—

**Malcolm Chisholm:** Is the modelling work being done now, or are you waiting to see how much money you have?

**John Swinney:** We are of course doing work on modelling.

**Malcolm Chisholm:** Finally, like other members, I heard what you said last night about the health service. It is important that we understand the detail of what you said because, as far as I know, that was the first time that you have said specifically that you will pass on budget consequentials. Am I right that, if there is a 1 per cent increase in real terms, you will pass on the consequentials, which obviously would not quite be 1 per cent? Would the consequentials be an exact replication of the increase?

**John Swinney:** What I am saying is that, if there is a real-terms increase in the health budget south of the border, as envisaged in the coalition agreement, we will pass on the consequentials to health in Scotland.

**Malcolm Chisholm:** For one year or for three years?

**John Swinney:** We are again getting into the detail of the coalition agreement, to which I am not a signatory. I can understand that—

**Malcolm Chisholm:** But whatever is passed on in each of the next three years, you will pass on consequentials.

**John Swinney:** What I am saying—

**Malcolm Chisholm:** I should say that you will not pass them on if you are not in government. *[Laughter.]*

**John Swinney:** Sorry?

**Malcolm Chisholm:** Basically, were you talking only about next year?

**John Swinney:** I am saying that we do not know the length of the spending review period or what commitments will be given within it. I am simply giving an answer in principle in relation to the issue, but we obviously need to see more detail from the UK Government.

**The Convener:** We have had a wide-ranging session that we must now bring to a close, but we have a final short question from Tom McCabe.

**Tom McCabe:** In the interests of fairness and equity across the United Kingdom, will you ever reach the position where the Scottish Government is prepared to stand up and say—*[Interruption.]* There is a conversation going on here, but I will carry on.

**The Convener:** Please carry on; it has been sorted out.

**Tom McCabe:** Do you think that you will ever reach a position where the Scottish Government is prepared to say, “Look, the fiscal position of the United Kingdom is grim, really serious—we need to take our share”?

**John Swinney:** Mr McCabe always tempts me on to ground that he should never tempt me on to. I am tempted to say, “The UK is in such a fiscal position—what on earth are we doing leaving the big financial decisions to them? Why don’t we take the decisions for ourselves?” That is the conclusion that I reach from the dreadful mess that has been made of the fiscal position of the United Kingdom.

**Tom McCabe:** I hoped that I would get an answer.

**John Swinney:** Well, you got an answer, Mr McCabe, but it might not be what you wanted.

**The Convener:** We seem to be extending the range of questions somewhat but, by popular opinion, I will call Linda Fabiani to ask some questions.

**Linda Fabiani:** “By popular opinion”? That is rather nice.

I want to go back to the basis of our inquiry, which is about efficient public services. That is not

necessarily about saving money, although in this climate that is extremely important. I was interested by Mr Russell’s title, which is deputy director of transformational government—

**David Whitton:** Efficiency and transformational government.

**Linda Fabiani:** Yes. I do not know what I would do without Mr Whitton—I would probably get totally confused.

A lot of the witnesses whom we have spoken to have said great things about taking the opportunity truly to transform the way that we deliver public services and putting the citizen at the heart of that, as we heard earlier from the cabinet secretary. In further discussions, however, self-interest and self-preservation come in, and we realise that a lot of what has been said—talk about true partnership arrangements and putting the consumer rather than those who provide the services at the heart—is almost lip service. Does the Government see the need for a real transformation of public services rather than just playing with the deckchairs? Is that work on-going, regardless of the financial situation that we find ourselves in?

15:00

**John Swinney:** I think that the answer to your question lies largely in the difference between two types of approach to public service transformation. One approach is to say, “Right, we need to save money and we need to reconfigure public services, so let us, for example, reduce the number of local authorities and health boards and so on.” That is not the approach that the Government intends to take, because we do not think that it would save us any money or transform public services.

What transforms public services is the redesign of services at local level to meet the needs of individuals. Many changes that are made to public services do not grab the headlines, because they arise from redesigns that are undertaken at local level, involving the staff who deliver the services and the users who consume the services—and they deliver better outcomes as a consequence. There are ways in which we can undertake transformational activity, but the approach needs to engage service users and motivate service providers, who have a common interest in delivering better outcomes. There are significant opportunities.

**Linda Fabiani:** We heard from witnesses that agencies have difficulty with co-operation and partnership working, for example when the voluntary sector or health boards try to interface with local authority services. We heard that issues to do with governance and regulation can be a

barrier. Is work going on to alleviate some of the strain?

**John Swinney:** Public servants frequently use governance issues as an excuse to avoid working more effectively together. The Administration has given every encouragement to local authorities, health boards and other local public service players to work effectively together through community planning partnerships, which present an opportunity to make the progress that is required in redesigning and transforming public services. In plenty parts of the country governance issues have been overcome and people have been able to remove obstacles.

Where obstacles apparently cannot be removed, in my view there is institutional conservatism. People are looking for an excuse not to get on with it—and with each other. There is every opportunity to undertake work and there are models around the country that work successfully and effectively. I do not think that there are obstacles to making that happen. However, the approach needs commitment from the individuals concerned.

**Linda Fabiani:** In general, are people aware of the true difficulties of the situation, or are they being a bit complacent and hoping that the situation will go away? Have you been able to influence better partnership working by using examples from elsewhere?

**John Swinney:** As I said, there are many good examples around the country of effective joint working at local level. I see no impediments to such work being encouraged in other parts of the country.

**Linda Fabiani:** Are the likes of the Convention of Scottish Local Authorities amenable to that?

**John Swinney:** Very much so. COSLA is a key partner in community planning partnerships, because local authorities lead CPPs and have an obligation to ensure that partners work effectively together.

**Linda Fabiani:** When we talk about public services, we sometimes think only about local authorities and perhaps health boards. However, a much wider section of society is paid for by the public purse. For example, in the criminal justice system we have the police and judges—Mr Whitton might say more about them. Does the potential transformation of public services include not just the people in local authorities who work directly with communities but everyone who is paid in part or in full from the public purse?

**John Swinney:** Right across the board, a contribution has had to be made to the efficient government agenda in a variety of areas. The criminal justice system is not my specialty, but I

know that in a number of areas the Lord Advocate and the Solicitor General for Scotland are encompassing many of the approaches to transforming the dialogue with citizens, particularly with crime victims, within the legal system. That is another indication of how the agenda is being pursued in different areas of the Government.

**Linda Fabiani:** I take it that that all feeds into the reporting that is done through, for example, Scotland performs, so that judgments can be made.

**John Swinney:** I am sure that some relationship could be established with Scotland performs, but other data will capture some of those factors.

**The Convener:** The committee has clearly drawn a strong second breath.

**Derek Brownlee:** This is going to be a very quick question. In your answer to me about the relevant share of the £6 billion, you suggested that the Government had produced contingency plans. Also, I think I picked up from your answer to Malcolm Chisholm that a figure of £130 million emerged from the ether. If the whole £6 billion comes from an area that has no comparable devolved expenditure, there will be no consequences at all for the Scottish Government budget, and if it all comes from areas that are 100 per cent comparable, we will, roughly speaking, get the population's share, or about £600 million. What figure did you decide was appropriate for contingency planning? The £6 billion figure has been clear for some time. Why was it appropriate to think that the figure might be towards the bottom end of the range of possibilities?

**John Swinney:** I simply illustrated four areas of possible expenditure reductions across UK departments, which were consultancy and travel, savings in IT, procurement and property. I did a rough mental calculation; I did not make an announcement off a page of the contingency plan, just in case Mr Brownlee thinks that he has stumbled across something.

**Derek Brownlee:** I just wanted to check.

**John Swinney:** It was purely an illustrative assessment.

On the range that could be involved, if we are talking about the population share, it could be £600 million. If UK departments incur the same percentage reduction in their DEL budgets, the impact could be between £350 million and £400 million. There is a variety of possibilities.

The key point is that when the UK Government is doing that exercise, it must tabulate clearly exactly where the £6 billion comes from so that we can test that its assessment of the consequential is correct.

**Derek Brownlee:** Can I take it from that that you want to be able to say yes, the Barnett formula has been applied fairly and consistently and, although we do not like the consequences, we do not dispute the comparability factors? Alternatively, are you saying that you would want to challenge the individual decisions that are taken in other departments that have consequences for the devolved Government?

**John Swinney:** I want to be able to challenge whether the Barnett formula has been applied properly.

**Derek Brownlee:** Fine.

**John Swinney:** That is my beef about the Olympics funding. I take the same position as my counterparts in Wales and Northern Ireland that the Barnett formula has not been applied properly in relation to regeneration expenditure on the London Olympics. We made that point to the Prime Minister on Friday. Obviously, that situation predates his assumption of office, but in my view the UK Government does not have a leg to stand on on the regeneration funding for the Olympics.

**David Whitton:** On that point, you said in your opening remarks that you had a chat with the chancellor, and you and the First Minister met the Prime Minister. As I understand from the public prints, you went in with a demand for £700 million or thereabouts. Were you given any comfort that you might get that £700 million, which includes the money for the Olympics that you have just mentioned?

**John Swinney:** We certainly made our case to the Prime Minister and it is appropriate to give him the opportunity to consider our issues. We made a number of points to him about the Olympics, accelerated capital and the fossil fuel levy. On the latter, in my opinion, we made a strong and clear argument about why we should be able to use those resources without detriment to the public finances of Scotland.

**David Whitton:** I turn to universal benefits, which we discussed at finance questions last week. I just want to clarify that I put to witnesses evidence that was given to us. I did not express a view one way or t'other, but I would like you to express a view, if you can. Have you given any consideration to moving away from universal benefits?

**John Swinney:** No, I have not given consideration to that.

**David Whitton:** Do you think that you will have to consider it, or again are you waiting until you see the likely impact of the £6 billion, or even the budget afterwards?

**John Swinney:** We are in a period in which the Scottish Government does not have access to

information about any forward public expenditure beyond March 2011. Clearly, I want to form a view—and the Government will want to form a view—on spending priorities once that information is to hand.

**David Whitton:** You know now how much it is costing you to provide personal care, you know how much it is costing you to provide free transport for pensioners and disabled people, and you know how much it will cost you to provide free prescriptions. All those things add up to a fairly sizeable chunk of cash. We have taken evidence from other countries that have had to look at all those things and, regrettably, pull back from them. Are you saying that moving away from universal benefits still does not form any part of your thinking?

**John Swinney:** The Government will want to maintain the current benefits arrangements.

**David Whitton:** On health spending, you said to my colleague Mr Purvis that if there are health consequentials, they will all go to health. We have received a paper from Professor Bell on salary levels across different sectors, one of which is the medical profession. It seems that doctors in Scotland are better paid than doctors in the rest of the UK. You talked about a fair distribution of the pain, as it were—that is where judges come in, too, but I will come back to them. Are you thinking of harder pay restraint for the medical profession than elsewhere?

**John Swinney:** The Government can consider that point. We have set out a pay policy for 2010-11. I stand to be corrected, but I assume that doctors' pay is negotiated on a UK basis. There are two former health ministers here who can answer that question. Both of them should know the answer.

**Tom McCabe:** Sadly, you are right.

**John Swinney:** I think I am right. I would be interested to see whatever I am supposed to be seeing. If the committee furnishes me with the paper, I will certainly consider it carefully.

**David Whitton:** I am sure that Professor Bell will furnish you with the paper.

**The Convener:** I am told that the comparison relates to the Organisation for Economic Co-operation and Development, rather than the UK, if that is any help.

**John Swinney:** Well, that is slightly different. This gets us into the realm of the UK pay deals. Part of what I was trying to say to the committee on the pay point earlier is that I am keen to ensure that we have an active dialogue with the Administrations in the United Kingdom and Wales and Northern Ireland on pay questions, because certain pay factors, particularly in relation to the



pay of doctors, nurses, police officers and civil servants, are decided on a UK basis and have ramifications for us. We want to have a close dialogue to try to reach a broadly comparable position.

**David Whitton:** I suppose the point that I was trying to get to was about the element of fairness. When we went to Ireland—this is where judges come in—we heard that, as you will be well aware, it had to cut public sector salaries quite substantially. The feeling was that it had failed, by and large, because those at the bottom were taking a bigger hit than, say, judges, who get paid something like €200,000 a year but were not asked to take a pay cut. The general public felt that that was not fair. When you are deciding all these things, I hope that you will take account of what is deemed to be fair.

15:15

**John Swinney:** I fundamentally agree with that—it is a fair point. In our stance on pay policy, we have applied a tougher pay policy to those with higher salaries than to those on lower salaries, if I can crudely express it like that. I fundamentally accept the premise that Mr Whitton articulated.

**David Whitton:** I will quote to you something that was said in evidence to us by Eddie Frizzell, with whom I am sure you are familiar, who is a former head of finance, of the Enterprise, Transport and Lifelong Learning Department and of the Scottish Prison Service. On job cuts and so on, he said:

“we need the political will to drop the pretence that we can get serious efficiencies without an impact on public sector jobs. We have begun to get into that debate, albeit in rather unrealistic terms, in the context of the UK election campaigning. We cannot pretend that there will be no effect on public sector jobs.”—[*Official Report, Finance Committee, 13 April 2010; c 2019.*]

How do you react to that?

**John Swinney:** I am pretty sure that I have said to the committee before that I think there will be a loss of public sector employment in the years going forward. That is what I said before, and it largely captures my position.

**David Whitton:** I think what you said before is that there will be no compulsory redundancies.

**John Swinney:** No. I may not have said it to the Finance Committee, but I have certainly said to the Local Government and Communities Committee that I think that there will be a loss of employment in the public sector. What we have said—I have reiterated this—is that there will be no compulsory redundancies as part of this spending review. The Government has taken a view throughout its term in office that compulsory redundancies are undesirable because they create

the wrong climate in public services and the wrong atmosphere around which to try to motivate staff. Clearly, we have presided over some voluntary job losses. I have been questioned before at this committee and at the Economy, Energy and Tourism Committee about the voluntary job losses in Scottish Enterprise, Highlands and Islands Enterprise and Skills Development Scotland, all of which have happened during this Government's term in office. Therefore, there are ways of reducing public sector employment without recourse to compulsory redundancies.

**David Whitton:** I might as well just finish my wee bit, convener, seeing as I am in that sort of territory. Is it the intention to publish the findings of the independent budget review, which you say will come to its conclusions in July?

**John Swinney:** The independent budget review will report to me, but it will essentially report in public. I suspect that I might get 48 hours' notice of the report's contents, but it will be published into the public domain.

**David Whitton:** That is the point that I was trying to get to. Ireland's budget review group put everything on the web, and there was a widespread debate on what was proposed before people concluded what steps they would take.

**John Swinney:** That is entirely my intention. The report will be published—it will not be my job to do so; it will be the job of the budget review—and it will essentially be available to be scrutinised and debated. As I have said—and without prejudging the parliamentary agenda—when Parliament reconvenes in September we will have an opportunity to consider the contents of the independent budget review to get a sense of what Parliament thinks of them.

**David Whitton:** Just so I am clear on your thinking, you said that you do not see there being a reorganisation of local government any time soon. However, as I am sure you are aware, Professor Arbuthnott gave evidence to us on his involvement with Clyde valley councils in looking at how they can share services. Are you looking to see more of that? For example, maybe neighbouring authorities such as—who knows?—East Dunbartonshire and West Dunbartonshire might share a chief executive or a director of planning or finance. Is that the kind of thing that you think those bodies should consider?

**John Swinney:** We have no plans to go near local government reorganisation. Local government reorganisations end up costing more money than they are alleged to save, and we are not in a position to afford that luxury just now.

Sir John Arbuthnott has done an excellent piece of work. Of equal significance is the fact that the eight local authorities concerned are working

collaboratively on the question. All that is encouraging, but I want to see action come out of it. It is certainly a mechanism for addressing some of the difficulties and challenges that we face.

You suggest that local authorities could have joint chief executives or joint directors of education. That is entirely possible, but it is the tip of the iceberg. What about a joint education service in, for example, East Dunbartonshire and West Dunbartonshire? That proposition could be entirely manageable. We used to have eight regional councils and eight directors of education, but now we have 32; we used to have eight education services, but now we have 32. The type of thinking that Sir John Arbuthnott has brought to bear might bring together the provision without in any way interfering with democratic accountability. If there were a vacancy in a neighbouring local authority, would that not be an opportunity to consider the integration of services and to implement that without anybody's identity being questioned but with outcomes and value to the public purse being improved? I would encourage that.

My key point about Sir John Arbuthnott's review is that this is the moment for action. However, I do not think that it is appropriate for me to design that map around the country. I could do that, but it would be counterproductive. I would much rather encourage and welcome the dialogue that is going on in a number of different parts of the country—not just in the west of Scotland, following Sir John Arbuthnott's review, but in other parts of the country, such as the Highlands and the north-east. Towards the end of the month, I will meet local authority leaders to discuss the matter. There are a lot of good examples of the sharing of services, which I encourage.

**The Convener:** Over many decades, I have found that retaining universal benefits, as opposed to targeting resources and reorganising, is easier said than done. The real issue is how we can ensure effectiveness and fairness, which is what the committee has called for. Are you confident that the appropriate statistical and analytical tools exist to ensure that any such analysis will produce effectiveness and efficiency?

**John Swinney:** Extensive activity is undertaken to assess value for money in the public sector and the performance of different public bodies and public services. The key judgment must be whether the mechanisms and measurements that are used are effective. I want them to be effective and I remain open to suggestions or analysis that challenges their effectiveness. I give you an assurance that the Government at all times seeks to maximise the effectiveness of that assessment.

**Tom McCabe:** I ask for a brief clarification. I may have misheard you earlier, but when you

spoke about universal benefits, did you say that the Government wants to retain the benefits that we have or that it will?

**John Swinney:** Will and wants to.

**Tom McCabe:** Both? So, you have effectively ring fenced them.

**John Swinney:** We want to maintain those services and we will do everything in our power to ensure that that is the case.

**Jeremy Purvis:** My question follows on directly from that. The council tax freeze in the coming financial year will cost £70 million. The cabinet secretary said that all expenditure must be linked with outcomes. What outcome was the freeze matched to? Could an economic outcome be demonstrated for it? Is the freeze affordable for the next spending review?

**John Swinney:** If the committee will forgive me, I will be happy to discuss the spending review at length when I know the details of it.

The council tax freeze exists to take account of the very significant burden that the council tax represents for our citizens and to provide them with welcome support. It would be seen in that context.

**Jeremy Purvis:** Has all the accelerated capital that was brought forward for 2009-10 been spent?

**John Swinney:** Yes.

**The Convener:** Minister, do you wish to make any closing comments?

**John Swinney:** I have nothing further to add, convener.

**The Convener:** In that case, I thank you for attending and for the evidence that you have given to the committee.

We now move into private to consider the evidence that we have heard on our inquiry and to consider our annual report.

15:26

*Meeting continued in private until 15:59.*

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