



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

### FINANCE COMMITTEE

Wednesday 21 September 2011



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**FINANCE COMMITTEE**

**4<sup>th</sup> Meeting 2011, Session 4**

**CONVENER**

\*Kenneth Gibson (Cunninghame North) (SNP)

**DEPUTY CONVENER**

\*John Mason (Glasgow Shettleston) (SNP)

**COMMITTEE MEMBERS**

\*Alex Johnstone (North East Scotland) (Con)

\*Derek Mackay (Renfrewshire North and West) (SNP)

\*Margaret McCulloch (Central Scotland) (Lab)

\*John Pentland (Motherwell and Wishaw) (Lab)

\*Paul Wheelhouse (South Scotland) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Robert Black (Auditor General for Scotland)

Graeme Greenhill (Audit Scotland)

Barbara Hurst (Audit Scotland)

Michael Oliphant (Audit Scotland)

**CLERK TO THE COMMITTEE**

James Johnston

**LOCATION**

Committee Room 5



# Scottish Parliament

## Finance Committee

*Wednesday 21 September 2011*

[The Convener *opened the meeting at 11:00*]

### Public Finances

**The Convener (Kenneth Gibson):** Good morning. Welcome to the fourth meeting this session of the Finance Committee. I ask members to turn off mobile phones, pagers and so on.

I am sure that everyone feels that the informal session that we had this morning with Robert Chote was extremely valuable.

**Derek Mackay (Renfrewshire North and West) (SNP):** I apologise to the committee for missing the earlier session. I am sure that it was very useful, and I will catch up with members on it after the meeting.

**The Convener:** Thank you, Derek.

Agenda item 1 is evidence from Audit Scotland on its recent report "Scotland's public finance: addressing the challenges". I welcome from Audit Scotland Robert Black, the Auditor General for Scotland; Barbara Hurst, director of performance audit; Graeme Greenhill, portfolio manager; and Michael Oliphant, project manager. I invite the Auditor General to make an opening statement.

**Robert Black (Auditor General for Scotland):** Good morning, convener. It is a pleasure to be here with you. The Finance Committee fulfils such an important role in the Scottish Parliament, and I think that that role will become even more important, if that is possible, in the months to come.

The report was published last month and was given preliminary consideration at the Public Audit Committee on 7 September. It was published at a time when the results of the United Kingdom spending review had been announced but the implications for Scotland were not absolutely clear. As we all know, the Scottish Government published a detailed budget for 2011-12, but figures for the subsequent years to 2014 remained provisional. We also all know that the Cabinet Secretary for Finance, Employment and Sustainable Growth will make a statement to Parliament shortly on the spending review. We expect, as I am sure others do, that his statement will broadly confirm previous estimates of a significant real-terms reduction in Scottish public expenditure over at least the next three years.

There are three main sections, or themes, in the report. The first takes a look at the current financial climate and how much money is available; the second gives an overview of some of the main cost pressures; and the third takes a first look at what public bodies are doing to address the challenges that lie ahead.

I will not dwell on the first theme, because the committee will be well aware of the revenue-side challenges that face the public sector. If I may say so, the committee has an excellent adviser at its disposal in Professor David Bell.

I will remind members briefly of the headline numbers. Through the public spending review period to 2014, the Scottish departmental expenditure limit budget, which is the money that the Scottish Government controls, will reduce by approximately £3.3 billion, which is about 11 per cent in round terms. The key point, which I think everyone fully realises, is that that is a big turnaround from the first 10 years of devolution, when growth was more than 5 per cent a year in real terms. We have reached a tipping point in that regard and are coming down the other side now. That means that we face difficulty for many years to come.

I will concentrate a bit more on the cost pressures, if I may, as the analysis might be useful to the committee as background to the publication of the spending review. The section starts on page 16 of the report. We have categorised the cost pressures into six areas: demand pressures, finance pressures, workforce pressures, investment pressures, pressures in maintaining existing assets, and environmental pressures.

One pressure that has been with us for a few years now is the ageing of the population. The number of people who are aged 75 or over is set to almost double by about 2030, which will have significant implications. To give the committee just one statistic, I would point out that the ratio of older people to people who are active in the workforce is currently 31:100, but that will rise to 40:100 by 2030.

What implications will there be for our public services? If we consider the example of the ageing population, fewer people will be around to deliver care to older people who need it; fewer people will be contributing to pensions; and fewer people will be contributing significantly to tax revenues, national insurance and so on. A larger proportion of tax revenues from people of working age will be needed for the pension costs of others in the public sector. Working people will be contributing more to national insurance and their own pension provisions, and that will reduce what economists call their disposable income. A greater proportion of tax revenues will probably have to go on paying for the care of very elderly people in need. It is a

very serious issue for society. A question that I think must be asked—although I cannot provide an answer—concerns the extent to which we can continue with our existing models of care provision against the background of a scenario that is developing as we speak.

Demand for services that are free at the point of delivery continues to rise. In round terms, we estimate that they cost about £870 million at the moment. I will consider one example: not long ago, we produced a report on the national concessionary travel scheme, and we projected that the uncapped cost of the scheme—in other words, the cost if the scheme is not altered but carries on indefinitely—could reach anything between £216 million and more than £500 million by 2025. Auditors look in the rear-view mirror and not in the crystal ball, but we made an attempt, based on some assumptions of future rises in the numbers of eligible participants and in fuel costs, to give some indication of the future risks to public finances from the scheme. Such indications could be replicated in other parts of the public sector.

Some other demands are difficult to control. In higher and further education, there is a debate about what is called the funding gap. We note in the report that there were 8,000 more students in 2009-10 than we had in 2008-09. That must partly be a result of the lack of employment opportunities, but I presume that it was also a result of young people and others coming back to study to improve their chances in the jobs marketplace. That is another demand pressure on the higher and further education sector, in addition to the challenges of finding funds.

The question of efficiency savings is important. As I am sure we all know, there have been targets for public sector efficiency savings for quite a number of years now. The previous Government, and the Scottish Executive before that, imposed targets for efficiency savings across the public sector. By and large, the results reported by the Scottish Government and the Scottish Executive were encouraging, and efficiency savings have been identified. That has been difficult for us to audit because of the quality of the information but, as we move further into the period of retrenchment, there must be an increasing risk that efficiency savings will have an impact on service delivery. We have considered the efficiency programme in the past, but have been able to offer only limited comment and assurance because of the data problems that we encountered.

Inflation is much higher than it was expected to be when plans for public expenditure were being prepared. One area where inflationary pressures are especially severe is in the health service. For example, in the health budget, spending on

drugs—whether administered in hospitals or issued by general practitioners—has tended to rise by between 4 per cent and 11 per cent on past trends. That is significant inflation, and it must be accommodated in the health budget. Although the health budget is increasing slightly in cash terms in 2011-12, pressures are building up in the system.

All public bodies are experiencing reductions in other important sources of income. I will give one example of what has been happening, concerning asset sales in councils. In 2006-07, local authorities raised almost £500 million for capital spending from asset sales. By 2010-11, the estimated figure was under £150 million. That is a big reduction by anyone's standards.

There has been considerable interest in public sector pay freezes. That is understandable, because the pay bill accounts for about 60 per cent of the Scottish Government's revenue budget. One point that we are trying to make in the report is that even a pay freeze will not prevent the pay bill from going up, because the freeze applies only to the annual cost-of-living rises that people generally look forward to and does not affect movement up the scale points. The Scottish Government has a policy of offering a degree of protection to the lowest paid—although we are not quite sure whether that protection will be in cash terms or real terms.

In parts of the public sector, there are some quite complex and expensive pay deals, which have ratcheted up costs. We have reported on examples of that in the health service in previous years.

Public sector pension schemes are under very significant long-term cost pressures. We put a report on that before Parliament in the previous session in which we described the increase in employers' contributions, which has been followed by increases in employees' contributions. The UK Government has said that it will accept the recommendations of the Hutton commission. It is too early to say what impact all the pensions changes will have, but there is certainly a very large cost pressure on the public sector, both for employers and for employees.

Members will be well aware that, as part of the public spending reductions through to 2014, capital spending is likely to be significantly affected. Based on its analysis of the UK spending review, the Scottish Government calculated that its capital budget might come down by 36 per cent over the period but, of course, the spending review will shortly provide an up-to-date position, which will reflect the Scottish Government's developing policy in the area.

I mentioned that income from asset sales is coming down, giving local authorities as an example. The Scottish Government has 182 major capital projects planned, with a combined estimated value of somewhere in the range of £13 billion to £15 billion. It is committed to using the non-profit-distributing private finance method and it has earmarked about £2.5 billion in what is, in effect, a top-slice for that expenditure; nevertheless, it looks as if, in aggregate, there will be some challenges because of the shortfall in resources.

There are also some signs that local authorities and others will try to use revenue funding to compensate for the reduction in capital allocations. The auditors will keep an eye on that issue to ensure that whatever financial strategies are put in place across the public sector are sustainable, but it is primarily for management in public bodies to ensure the financial sustainability of their organisations. In the report, we comment on the build-up of private finance initiative commitments, which will reach more than £1.1 billion in cash terms by 2024-25.

In other reports, we have commented on the serious issue of the backlog of maintenance and repairs in the Scottish public sector. As I said to the Public Audit Committee, it is not just an abstract accounting issue. In effect, we are using up assets and running the real risk of simply passing them on to our children and future generations in a worse state than they were in when we inherited them. There is a big issue with intergenerational transfer of burdens.

In the past, I have mentioned the need to spend about £2.25 billion to eliminate the defects on Scotland's roads; the costs of removing the backlog of maintenance of council-owned property assets, which amount to £1.4 billion; and the fact that the national health service estate needs more than £500 million. I could go on, but the point is that the maintenance problem is very significant, and it is important that we all bear that in mind when we consider choices around new projects.

Finally in the section on the pressures, we outline certain environmental issues. In reports that we have produced on energy management, we have found that public sector spending on energy increased dramatically by 21 per cent in real terms between 2006-07 and 2008-09. However, energy use has not declined. Of course, that increase largely reflects trends in energy prices. All the expert opinion, including that of the UK Department of Energy and Climate Change, estimates that fuel costs will continue to rise over the long term—certainly over the next 10 years—by as much as 35 per cent on average. That will mean, for example, that a litre of fuel will cost 162p. That is another pressure that is very difficult

to control in public bodies, because for a lot of them, such as hospitals, heating bills and so on are very difficult to contain.

There is a link back to my earlier comment about the decline in capital spending, because a very important purpose of capital spending can be to support and sustain energy efficiency and spend-to-save approaches generally in relation to the energy strategy.

The Scottish Government has set some ambitious energy targets. The independent budget review offered a comment on that, in the report that came out last summer. It estimated that, over the next decade, the cost of meeting the Government's energy targets would be about £8 billion—that is not our figure; it is one that I am recounting from the independent budget review.

11:15

In the third part of the report, we make a first stab—it is no more than that—at describing how public bodies are starting to address the challenges. The first piece of good news—although even this is a glass half empty, I am afraid—is that pretty well all public bodies are planning to balance their budgets for the current year. However, I am receiving anecdotal evidence that things are getting very tough, and the auditors are monitoring the situation carefully. There are some real risks out there in achieving those balanced budgets, and in future years the situation will be even more challenging.

In the report, we describe how public bodies have tended to concentrate on reducing staff numbers as quickly as they can through voluntary early severance agreements, retirements, natural turnover and so on. That can take organisations quite far, but it is not straightforward. For example, public bodies have lost quite a lot of senior staff in key areas such as the finance function just as we are entering a period of financial stringency and cutbacks. When I was a local authority chief executive—which I was for many years—I was always concerned to ensure that the council had a strong finance function that was led by someone in whom the councillors and I could have absolute confidence. The need for such strength is even greater in difficult times. That is something on which I comment in other places—at conferences, and so on. A lot of experience has gone out of the door in a short time, just as we have reached the tipping point in public finances. Therefore, good workforce planning must not only look at how to reduce staff levels quickly, but must ensure that the skill mix that is needed to sustain the organisations is there and that valuable experience is not being lost at this critical time.

We set out one of our checklists in appendix 4 on page 38 of the report. We hope that that will help all public sector leaders to ask the right questions in their own organisations. It is a complex report that covers a lot of areas, and my colleagues and I will be happy to answer any questions that we can.

**The Convener:** Thank you for your opening statement, Mr Black, and thank you for producing such an excellent report. I have several dozen questions to ask you but, given that we have only a certain amount of time and that other members will also want to ask questions, I shall show some restraint.

In your opening statement, you touched on efficiency savings. Paragraph 38 of the report states:

“In February 2010, Audit Scotland concluded that, due to significant weaknesses in the information available and inconsistencies in reporting, it was unable to provide assurances on the level of efficiency savings reported as part of the 2008 to 2011 Efficient Government Programme.”

What additional information would be required to deliver the accurate assessment that you require on that?

**Robert Black:** That is a very big question, and an appropriate one. We have produced two reports on efficient government. The general picture is one in which the targets are top down—there is nothing bad about that approach in principle, as it imposes a challenge on public bodies—and have been delivered and reported in aggregate at the top of the organisation. So, in general, we find that the existing information systems allow public bodies to know how much they are spending in total, but the information is not good at all at the level of individual activities: we do not know how much individual services or parts of services cost or the volume of those services that is being delivered out of budgets. Unless we have management information at that level, we cannot provide an independent assurance about whether true efficiency savings have been reported that have not had an impact on service delivery.

As I said, the strategy has been in place for quite a number of years, top-line numbers have been reported and there is no doubt that significant efficiency savings have been achieved. However, the longer that that goes on, the greater must be the likelihood that either the volume or the quality of services will be affected, and the information is not available to provide any kind of assurance on that.

**The Convener:** Thank you. I will move on to another paragraph that is much further on in the report.

**John Pentland (Motherwell and Wishaw) (Lab):** Can I ask a question, convener?

**The Convener:** Yes.

**John Pentland:** Given what you have said, Mr Black, do you think that there is a real risk that Scottish Government spending commitments may exceed the budgets because the efficiencies may not be delivered?

**Robert Black:** I would distinguish between the Scottish Government, which sets the budgets at an aggregate level, and the spend of individual public bodies that set their own budgets. I am unable to go further than saying that, as the years go by and the efficient government programme bears down on the costs of public bodies, there must be a growing risk that service quality and volume will be affected at some point. We cannot provide you with any further information on that at this stage.

**The Convener:** To go back to my question, the introduction to paragraph 91 states:

“Some public bodies have arrangements to share resources but evidence of savings is limited”.

Paragraph 92 states that there are

“concerns about reforms being driven by short-term budget reductions rather than longer-term public service reform.”

Can you say a wee bit about your view on that?

Also, the number of public bodies has been reduced, but where do you see capacity for further reduction and efficient sharing of services rather than simply a reduction in services through sharing?

**Robert Black:** The issue of shared services is important, although we have not audited it specifically, largely because it is work in progress. We mention in the report the Clyde valley initiative to move towards shared services, which is going through a challenging phase at present. The project typifies a pervasive problem in public services in general, which is that one often has to spend up front to create the shared service capacity. The savings only come further down the line, so it is very difficult to make that shift. We are keeping an eye on that area through audit reporting, but it is accurate to say that at present we do not see significant savings coming from shared services initiatives.

With regard to how the public sector in Scotland is structured, the structure of public bodies is really a policy matter for the Government and Parliament to consider, but there is no doubt that we have quite a complex landscape for a relatively small country. Some people, understandably, say that restructuring should not be the first issue. In so far as I will comment on a policy matter, I simply say that the priority is to think about what is best for



service users and how we can provide the best quality at the lowest cost and ensure the fullest possible integration between different parts of public service delivery. That, rather than the issue of structure, should take precedence.

**The Convener:** I will ask one more question before I open the floor to other members. Exhibit 1 in the report contains a number of “Key panel recommendations”, one of which is:

“Mainstreaming the role of the private and voluntary sectors as collaborative partners in the delivery of public services.”

However, there is

“No central policy on this. Each individual public body is responsible for the level of engagement with other sectors in the delivery of services.”

Do you believe that a central policy would be helpful?

**Robert Black:** That is a policy matter. In exhibit 1 we attempted simply to list on the left-hand side of the table the key high-level recommendations in last year’s independent budget review, and to give a brief overview of the Scottish Government’s response to them. It is a matter of fact that there is no central policy, and I am not really in a position to say whether one would be helpful.

**The Convener:** So you are not saying that it would be better if there was a central policy.

**Robert Black:** No, absolutely not. The exhibit is simply an attempt to recount the Scottish Government’s response to date to the independent budget review’s suggestions.

**Derek Mackay:** My question is supplementary to the point you raised on shared services. You have talked about the growing pressures and demands on the public sector because of shared services and the requirement to spend to save in relation to some of those services. Bearing in mind the electoral timetable for local government, will spending to save get easier or harder? The time to make progress on these matters is probably now.

**Robert Black:** If I may say so, you are asking me to look in the crystal ball rather than the rear-view mirror. However, I never like not to answer a question. It is clear that any significant initiatives on shared services will require strong leadership and a shared vision of where the project is going. Such initiatives are also likely to require up-front funding, if only for issues such as voluntary early severance of staff, when staff numbers will clearly be reduced. That will have to be paid for somehow. The issue gets more challenging as the public finances get more difficult.

I hope that that answer has been of some help to you.

**Derek Mackay:** It has.

**John Mason (Glasgow Shettleston) (SNP):**

My question is on the same subject. You talked about reducing the number of public bodies and about having shared services. I used to be a councillor, and shared services have been talked about for quite a while, but there does not seem to have been a huge amount of progress. I prefer the idea of sharing services to simply amalgamating bodies, but are we at the stage at which we can say that voluntarily shared services have not worked and that bodies need to be forced together—for example, the police?

**Robert Black:** I think that it would be premature of me to answer that. As I remarked earlier, this is, in essence, a policy matter for councils and other agencies. I am not sure that I can help you very much with your question.

**John Mason:** I have forgotten the other point that I was going to make, so I will leave it for the moment.

**The Convener:** I will come back to you.

**John Pentland:** In the independent budget review, the panel recommended that the council tax freeze be removed. Do you believe that it has been a mistake to maintain the five-year council tax freeze, considering the budgetary challenges that we face?

**Robert Black:** I am conscious, Mr Pentland, that my answers to some of the committee’s questions have not been terribly helpful. Legislation—quite properly, in my view—debars me from commenting on policy matters. If I start commenting on policy matters, my value to the public sector is greatly reduced. I am really not in a position to comment on whether the council tax freeze has been a good thing or a bad thing, or on whether it should be continued.

**Margaret McCulloch (Central Scotland) (Lab):** Local authorities are facing severe cuts in their capital budgets, and they may be forced to borrow money to fund local infrastructure. What impact will that have on local services?

**Robert Black:** Under what is called the prudential code—which is a general code of guidance, produced by the Chartered Institute of Public Finance and Accountancy, the value of which we recognise—local authorities have the power to borrow to fund capital projects. That is perfectly appropriate. However, it is very important indeed that local authorities exercise strong stewardship of that power, to ensure that the amount of money that is going towards capital projects in the long term is sustainable.

My team will correct me if I get the figure wrong, but the Scottish Government has indicated that it might be appropriate to spend around about 3 per cent of current resources on such capital projects.

As I mentioned earlier, the Government is top-slicing about £2.5 billion for projects that will, in essence, be managed through the Scottish Futures Trust.

Auditors will be monitoring the issue at the level of individual local authorities, and they will be reporting on the financial strategies for using current revenue to finance capital projects.

11:30

**Alex Johnstone (North East Scotland) (Con):**

My question follows up on that. I will address the more general issue of the restriction on borrowing that has gone on within the Scottish Government and the tendency for it to pass the buck on to local authorities, which have the power to borrow. As you pointed out, in the first instance it encouraged asset sales, which is a route that now appears to be dying up.

First, on prudential borrowing, is the Government's policy, or the one that it is about to present today, almost an encouragement to max out the potential for prudential borrowing?

**Robert Black:** I think that that is a policy issue and it is not something that we have audited, because it has not yet happened, so I am not sure that I can help you with that. However, I am sure that local authorities will be very conscious of the need to ensure that they continue to have sustainable finances going forward. Beyond that, it is a matter for individual local authorities to decide their own financial strategies.

**Alex Johnstone:** That takes me to where I was going with my question. My concern is that, if that is the route that the Government chooses to take—we will perhaps find out later today whether that is the case—will it perhaps have the effect of targeting investment in local authority areas based on the ability to secure funds, rather than the need for investment? Is there a danger of inefficient investment as a result?

**Robert Black:** You have asked me two questions. The first relates to targeting investment. The Scottish Government provides an allocation through the formula to local authorities, but that still provides discretion for the local authority to use its revenues to fund capital spending. How it uses that funding is up to the individual local authority to determine.

Your second question was on the efficiency of capital spending. In January we produced a major report on the management of capital programmes, in which we go into the matter in some detail. The key message in that report is that the efficiency with which capital programmes are being managed has improved on aggregate in the Scottish Government, but there are some really

tough decisions ahead because of the reduction in resources. There therefore needs to be some clear thinking around the priorities that are set, but it is not for my colleagues and me to comment on those priorities.

**Alex Johnstone:** My final question on capital spend by local authorities, in particular, relates to the use of the non-profit-distributing trust method of funding. In the past, other methods of drawing in investment have been used. A key political discussion that has taken place over the years concerns the level of profit that was generated by such arrangements and whether that was considered efficient or politically acceptable in terms of efficiency and value for money.

The NPD method is not a profit-free method; it is required to generate profit. Is it, in your belief, currently capable of generating the necessary level of profit to attract the desired level of investment, or is it still at a stage at which it is unlikely to attract the necessary investment that we seek to generate through it?

**Robert Black:** It is difficult for me to comment on that, because we have not audited it. Our report on the management of the capital programme last year included a long exhibit that reviewed all the methods of financing capital investment: traditional capital finance; using revenue budgets; PFI; the non-profit-distributing method; the regulated asset base, which is used by Network Rail; user charging; tax increment financing; the national housing trust; the hub initiative, which is being led by the Scottish Futures Trust; and so on. Many different models can be used. Essentially, the strategic challenge is to choose a method that is fit for purpose, relative to what you are trying to do.

The Government now works very closely with, and is advised by, the Scottish Futures Trust, which is doing some interesting work on the matter through the hub initiative. As I understand the initiative, it intends to rely significantly on the non-profit-distributing method of financing. As I think your question implies, the key question is whether you can get good competition. The consortiums or firms that are participating in a non-profit distributing venture will also be seeking profit, and that can be minimised by generating good competition.

**Alex Johnstone:** And if we fail, can it generate inflationary pressure within the NPD system?

**Robert Black:** That will depend upon the individual contract and how well it is formed. It might well be that there are instances in which competition is not achieved. However, from conversations with experts in the SFT, it is my understanding that, given the state of the market out there, it is possible to generate some good

competition and that potential contractors are sharpening their pencils.

**Derek Mackay:** As we are discussing borrowing in local government, is it correct to say that councils can borrow through the prudential framework only what they can afford to borrow, because they have to publish a report outlining what is affordable and what is within their limits?

**Robert Black:** That is correct.

**Derek Mackay:** Thank you. In terms of the asset sales drying up, as it was described, is it not wise of councils not to be selling off assets at this point in time because the state of the markets means that they will not be getting value for money? It is good to replace such asset sales with revenue support as long as it is within the accepted financial limits.

**Robert Black:** I am reluctant to make a sweeping generalisation about that. Assets are not cost-free. Local authorities must account for them, and charges will be associated with holding redundant assets on the books. It is therefore very important for all public bodies to think clearly about the assets that they need to deliver high-quality public services at minimum cost in the right volume.

A couple of days ago, the Scottish Futures Trust issued two quite interesting papers that involve some real challenges for us in the public sector. Its strategic analysis is that there is quite a stock of assets across the public sector that could be managed more efficiently or disposed of to yield significant sums of money. None of us would like to start that process from where we are, but in view of the pressure on public finances in the future, I guess that there is something in what the SFT said about the need to make sure that we look at all assets and use them as efficiently as possible, or dispose of them if we do not need them.

**Derek Mackay:** How do you suggest the public sector does that? Rather than operating in silos and saying, "That is their asset and this is our asset," how does the public sector plan its asset management more carefully together?

**Robert Black:** The Scottish Government has developed the hub initiative and there are five hubs. The initiative is at an early stage of development but it is quite promising. As I understand it, the idea of the hubs is that all the partners in community planning partnerships should come together to consider jointly the strategy for the assets that are needed in their area and use the hub to procure those. As part of that strategy, it clearly makes sense to look at whether some assets are no longer fit for purpose and should be disposed of.

**Paul Wheelhouse (South Scotland) (SNP):** I would like to take a different direction, if I may, and look at preventative spending. As you will be aware, the Finance Committee's work in the previous session looked at the evidence for and merits of preventative spending as an approach. Various estimates have been made about the extent to which there has been negative spending. The Scottish futures forum estimated that 40 to 45 per cent of spending in Scotland is negative in nature in that it is for dealing with immediate social problems—it is reactive spending.

You talked about the cost pressures, particularly on the health budget, arising from an increasingly elderly population. We have an estimate that one third of the £4.5 billion that is spent on older people's services relates to unplanned hospital admissions. I appreciate that I am asking you to look forward rather than in the rear-view mirror, but do you have a view on the impact that preventative spending could have on making the public sector more efficient and helping us to deal with the financial pressures that we are facing?

**Robert Black:** The previous Finance Committee's report on preventative spending, which focused on early years support, was really interesting, touched all the right bases and made its points well. However, its analysis could be extended to a wide range of public services. It is clear that preventative spending could make a difference to quite a few issues that have been raised in our reports.

To whet members' appetites, I point out that next month we will publish a report on the use of telehealth—in other words, using information technology to help people to manage and monitor their conditions in their own homes. I think that pretty well everyone would prefer to stay in their homes rather than go into hospital. The report contains some interesting analysis of the resources that could be released through a significant investment in telehealth as part of a whole-system approach to caring for people in their own homes. However, there are three challenges to face in that respect. First, health agencies, local authorities, social work agencies and the voluntary sector will be required to work well together; secondly, up-front investment will be needed to make it happen; and, thirdly, it will require good training and development and a good ethos among staff.

The fourth third challenge, as it were, is the challenge of just having to stop doing things. I have had some interesting conversations with people in the health service who favoured telemedicine but pointed out that it had benefits only if it were recognised that capacity in the acute sector might have to be reduced. After all, that is how the resources for investing in telehealth will

be released. I need not say this to MSPs, but trying to reduce acute provision at local level always stirs up a lot of controversy. It is a really challenging set of issues.

**John Pentland:** Rewinding a wee bit, I believe that, with regard to efficiencies, you said that the knee-jerk reaction would be to institute a restructuring programme. Given that we have been on an efficiency drive for the past three or four years—and if we take on board your comment that we might jump in too quickly to restructure things—what areas might local authorities still be missing in that respect?

**Robert Black:** I am not sure that I can identify any missing areas. We all recognise that in local government and across the public sector a huge amount of effort and thought has been devoted to addressing these challenges. Over the past few years, the challenge has been to get costs down quickly. Under current plans, the biggest reduction in spending happens this year, 2011-12, and it has been quite a challenge for people to get their costs down quickly. Indeed, part of the reason for the reliance on voluntary early release schemes has been to get payroll costs in particular down as quickly as possible.

That has been challenging enough, but an even bigger and more important challenge lies in redesigning services in future to cope with some of the pressures that are out there, not least of which is the changing demographic in Scotland. In his written evidence to the previous Finance Committee's preventative spending inquiry, the chief medical officer starkly illustrated that point when he said that the costs of long-term care were estimated

"to rise to £15 billion by 2040".

I point out that we have not audited that figure. Nevertheless, given that challenge, we cannot continue with the service design models that have been used historically.

11:45

**Margaret McCulloch:** I was going to ask the question that Paul Wheelhouse asked, but I have a supplementary to it. In 2005 the Labour Government had a policy called, "Delivering for Health". Are you aware of those proposals?

**Robert Black:** I am sure that my colleagues are.

**Margaret McCulloch:** This might involve crystal ball gazing, but I hope not. If we had managed to implement those proposals, would they have had an impact on the health service as it is now? The policy involved taking money from the health service and giving it to communities to let them invest in initiatives. It was a big policy on

preventative spend, which considered the long-range forecast for health and the possibilities for working with the people at that point in time.

**Barbara Hurst (Audit Scotland):** I will try to pick up on some of that. We have done quite a lot of work in the area of health and social care. We recently published a report on community health partnerships, which considered in detail the successes—or otherwise—of those partnerships and examined the issue of emergency admissions of older people to hospital, which has been mentioned today.

It is clear that a lot of good work is being done in trying to build up community services in health and social care, but the pace is not fast enough. To pick up on the Auditor General's point, I think that if the pace is not quickened we will be in a potentially difficult position as the need for acute beds for older people will continue to rise.

With regard to our performance audit work programme, we are very interested in preventative spend. The Auditor General has already mentioned telehealth, but a number of other reports in our programme will focus on that area. There will be a report on reducing reoffending in the criminal justice system, and we want to revisit some of our earlier work on drug and alcohol services and mental health services. We are about to begin a report on strokes, so it will be interesting to examine the services that are in place to prevent people from having strokes.

We think that huge changes can be made in the area of preventative spend, but we are not saying that that will be easy. We are keen to audit some of the on-going activity.

**Margaret McCulloch:** One success is that community health partnerships are working together. What made them work together successfully? It often seems that everyone is working in isolation and there is not a lot of joined-up thinking and working together, so how did that come about?

**Barbara Hurst:** The simple answer is the strength of leadership at a local level. If there is a will and a commitment to work together, rather than a territorial approach to budgets and activities, we see some good work. The converse is that when all that was in place, silly things—from a user's perspective—started going on, such as difficulties with accessing the right care packages.

**Robert Black:** It is a very important area that concerns us all. I encourage members to find time in their busy diaries to look at our report on community health partnerships, because it contains some challenging messages, ranging from the need for strong leadership to the need to

ensure that the framework for partnership working is appropriate and fit for purpose.

We must recognise that chief executives of health boards are accountable officers and, as such, are accountable to the Public Audit Committee—and through that committee to the Parliament—for their use of resources. They have to meet targets that are set, quite properly, by the centre in relation to the performance of the acute sector, which can create tensions in trying to build effective partnerships. In a relatively small country such as Scotland, it should be possible to come together and have a good conversation about some of those issues.

**The Convener:** In my area, Ayrshire and Arran NHS Board is at loggerheads with North Ayrshire Council, although it gets on well with East Ayrshire Council. I will not mention the political affiliation of each council, because I do not think that that is the issue. The health board takes the view that North Ayrshire Council just wants to take a share of its resources. There is an issue about how both parties negotiate in order to go forward with a common agenda that will improve services for people.

**Robert Black:** Yes. When we produced the community health partnerships report, we were aware of similar tensions in other parts of Scotland. As Barbara Hurst has implied, we think that there needs to be a sense of urgency in coming together around some of these issues, in view of the challenges that lie ahead.

**The Convener:** Indeed.

**John Mason:** Absolutely. Following on from that, I will mention the situation in Glasgow. I thought that CHPs were quite a good thing and they seemed to be moving in the right direction in Glasgow, but then it all came apart. I do not know how isolated an example that is, but there seem to be some cases where they have tried it and backed off. Will that make it even harder for local groups to try it again?

**Robert Black:** It is not all doom and gloom, as quite interesting developments are taking place in some parts of Scotland. Furthermore, we mention in our report on CHPs that, at a local level, if people come together close to the point of service delivery, they can do great things.

I read around this stuff and speak to people a lot, not only in Scotland but elsewhere. I venture the generalisation that service redesign works best when it happens at a local level and brings together teams from the health service, social work and the social care service with a passion for putting the user first. When things are going well on that basis, the organisation often adapts around that approach, so it evolves from that level.

As Barbara Hurst said, it is about strong but effective leadership at local level, and it is about success being celebrated. Such an approach means that when people are doing well they are recognised and celebrated. If a model is working well, it is about finding ways to get that knowledge transferred quickly and applied elsewhere. Scotland as a whole could do much better at that.

**John Mason:** I agree with what you are saying, but some people would take that as meaning that the approach will be a bit hit and miss, because it depends on the personality of whoever is running the health board, the council or whatever it might be. I do not think that you could necessarily answer that point, but it makes me think that there might need to be a bit more pressure from the centre rather than leaving it to a hit-and-miss approach. Does there need to be more pressure from the centre?

**Robert Black:** That is a fair comment.

**John Mason:** The section just before paragraph 86 of your report states that

“Greater partnership working is planned but, so far, evidence of improved service delivery and reduced costs is limited”.

That is probably fair comment.

I have another concern, which I was going to mention previously. I agree with your comment that we are here to do what is best for users, but is there a danger that by amalgamating organisations they become that bit more distant and the quality of service for users gets poorer? I do not know whether there is evidence for that, but some people might feel that that is the case.

**Robert Black:** It is difficult to generalise, but I encourage you not to take a simplistic view of the approach, because what really matters is the ethos of the organisation and how it sets itself up. It is perfectly possible for organisations to operate devolved structures with local accountability but a strong strategic centre. Organisations like that have existed in the past.

I am getting rather close to policy but, if I may, I make the observation that the vision for a single national police force in Scotland is one in which there will be maximum devolution of responsibility and power to the equivalent of the local commander or whatever to interact with local communities. There is clearly a view within the Scottish Government that the model can be made to work. I understand and acknowledge that that is a perfectly reasonable view to take. It is a question of getting the right ethos in at the start and designing the thing really well to allow that to happen.

**John Mason:** I agree that it is a good model. I am not sure that we are seeing it in other areas as

yet. Perhaps it is something that we should be aiming for.

In paragraph 89 of the report, you say that partnership working is not just about organisations and that individuals could be given a bit more control in the personalisation of services. You mention Glasgow City Council specifically, and use phrases such as “plans to save” and “aims to give users”. Are you making a neutral statement that this might be a good thing or a bad thing? There seem to be different views on the ground.

**Robert Black:** That is a policy matter, but I cannot resist making a comment.

**The Convener:** I notice that Mr Greenhill is smirking.

**Robert Black:** The push towards the personalisation of services is taking place not only in Glasgow or Scotland, but across the whole of the United Kingdom and, indeed, in other countries. Part of the explanation is that, in modern consumer societies, people want to control more of their destiny. I acknowledge that, and a lot of interesting stuff has been written about it.

However, there are two risks. One is that, in the personalisation of services, we neglect to build in a realistic assessment of the costs of supporting people in choosing their own packages of care. That is a really important issue, especially if you are talking about vulnerable groups who rely on health services and social care services. Those people will need help in managing and designing their care packages—just as, if I am not feeling well, I expect my general practitioner to help me to determine my needs from the health service. Public bodies must be required to think carefully about the support services that they offer as part of personalisation.

**John Mason:** Would personalisation normally be more expensive? If somebody wants the same service that they had previously, and if they are getting some extra support, the total cost would be higher.

**Robert Black:** I would not say that, because we have no numbers. All I will say is that, with the imperative of getting costs down, there is a risk that personalisation is regarded as a cost-reduction strategy rather than as a strategy to improve the service for the people who really matter and who need the service. That is an added challenge for everyone, and I think that it would probably involve thinking seriously about redesigning the service. Especially in the voluntary sector, there are non-profit-making organisations that can help public service delivery bodies in advising and supporting people on the personalisation of their care services.

**Barbara Hurst:** We are doing a project at the moment on the commissioning of social care, and we are considering the personalisation agenda and the extent to which councils are prepared for it. As the Auditor General said, the starting point should not necessarily be a cost-reduction strategy. However, research south of the border involving people with learning disabilities has shown that when those people have had their own budgets and have been supported to develop packages that suit them, rather than just accepting what is institutionally available, they go for cheaper packages of care. That aim was not the starting point, but it has been found that if people are offered choices, they do not necessarily go for the more expensive packages of care.

**Derek Mackay:** Mr Black referred us to the CHP report, which I read. Before becoming an MSP, I was a CHP chair as well as being a council leader. We were pretty integrated in Renfrewshire, where the experience was more positive than the one that I read about in the Audit Scotland paper.

You made comments on central direction, which I would agree with. However, sometimes the structures do not help. You are an auditor and an accountant, and you like governance arrangements to have the t's crossed and the i's dotted. That is only right, but sometimes structures require a lot of energy at the interfaces, although the message is, “Just get the job done. Just make things happen.”

I have in mind your comment on focusing the service on the individual rather than the structure. Do you recognise that the governance arrangements between the NHS and local government just do not fit well? It is like trying to do a jigsaw when someone has taken some of the pieces away. If I suffered from insomnia, I would read the CHP scheme of establishment document—it is very thick—which did not match councils' governance arrangements.

It is about getting on with the job. What is your view on the need to be far more flexible in making things happen? I am cognisant of your comments on leadership, with which I concur.

12:00

**Robert Black:** Just for the record, I am not an auditor, nor even an accountant.

**Derek Mackay:** You are only human.

**Robert Black:** I am just the Auditor General, and I leave the hard stuff to others.

I will venture a comment on the issue that you mention, because it is very serious. There is a fundamental challenge in getting the accountabilities right. I mentioned as an example the chief executive of a health board who is

accountable to the relevant minister and to Parliament. Given the constrained budgets, the fact that drug costs are rushing ahead of the cash allowance and the fact that our ageing population means that more and more people are presenting at the door of the accident and emergency unit, that is a real challenge. There will not necessarily be any headroom in the budget to free up resources to commit to partnership working, given the current financial situation in which we find ourselves. One could paint a similar picture for senior practitioners and chief executives in local authorities.

The situation is challenging, and will become even more so as a result of the reductions in public services that are coming down the line. There is an issue for communities, in that elected representatives, councillors, MSPs and members of the UK Parliament need to recognise how challenging the situation is for people in local areas and try to come together to find ways of giving people the authority and permission to do things differently.

They must also recognise—if I may be very bold—that that may well mean that some services have to be stopped, because it is not possible to do everything. That is one of the biggest challenges that affects us all in Scottish society, whatever role we play.

**The Convener:** We have not really touched on this issue today, but I wonder whether you can discuss the potential for savings and efficiencies in the information technology domain. I found it interesting that the report states:

“The review highlighted opportunities for improving the quality of services through better use of IT and concluded that a fundamental shift is required in planning IT investment, which is estimated at £1.4 billion in 2008/09.”

That is a huge sum of money.

**Robert Black:** It is not an area in which we have any particular expertise. John McClelland carried out a review for the Scottish Government on the subject, and he has highlighted some challenges. My colleagues might be able to help with that.

**Michael Oliphant (Audit Scotland):** The review came out shortly before we published our report, so we have not reviewed it extensively. However, we allude to it at paragraph 96, which states:

“The review recommended that the Scottish Government should implement a transformation programme for IT investment. In this way, savings from more effective investment in IT could provide a cumulative saving over five years of between £870 million and £1 billion.”

**The Convener:** I think Alex Johnstone wants to come in on that.

**Alex Johnstone:** We all know that IT is a minefield, given that some of the horror stories about major public services in recent years have been about IT projects that did not deliver and which eventually cost a great deal more. Did you consider that aspect in making your comments about IT's broader potential?

**Robert Black:** We did a report some years ago on the management of IT in Scotland.

**Barbara Hurst:** We certainly did one on IT in the health service. Scotland took a different line from the English IT system in the health service, which has been one of the most dramatic examples of something going wrong.

We have also looked at IT in relation to concessionary travel cards. There was an overspend on that, too. Our programme of performance audits includes a project to look at outsourcing contracts, in which we want to look at IT contracts.

Graeme Greenhill might be able to help me on this, but in examining concessionary travel we found that all the IT expertise was with the external contractor rather than in-house. That is an issue that we need to look at—to ensure that there is enough expertise in the public sector to manage major IT contracts, which are very complex.

**Robert Black:** On that theme, I encourage the committee to think about whether you want to have a conversation with the Scottish Government and John McClelland about his work.

**The Convener:** We actually commented on that before the meeting. I agree that it would be helpful.

I want to move on to another issue. In paragraph 100 of the report, you state that

“public sector back-office shared services do not generally deliver a positive return in less than five years”.

That is clearly a major issue. It may be that shared services could be implemented in a lot of areas but there are concerns among various public bodies and the up-front costs make them wary. How can we improve that turnaround time, if at all?

**Robert Black:** I am not sure whether we can help you with that. Does any of the team have expertise that they would like to share?

**Michael Oliphant:** My only comment on paragraph 100 is that it refers to a report that was carried out by the Improvement Service. It looked at shared-service agreements in Scotland, throughout the rest of the UK and abroad. The broad conclusions were that back-office shared services do not generally achieve a positive return within five years, so up-front investment is required. It obviously takes a long-term view,

because there is a time lag from initial discussions to implementing the plan and then onward to generating the hoped-for savings.

**The Convener:** The paragraph also states that “plans are often over-optimistic, managing change is underestimated and costs can escalate significantly.”

Is that a general view, or is there is wide experience of that? In other words, is it just that some plans are overoptimistic or is the problem endemic?

**Michael Oliphant:** We can provide only limited comment on that. It was not our work, so it would be best to say that it is a general comment. The Improvement Service report would probably provide further detail.

**The Convener:** Okay. How much will the annual increase in private finance initiative and public-private partnership payments impact on the ability to deliver savings and more efficient services in the years ahead?

**Robert Black:** We have included in the report some numbers on the overall cost of PFI-type contracts. I am not sure that we can comment on the knock-on effect on the budgets of public bodies beyond that.

**Michael Oliphant:** In paragraph 54 of the report, we have highlighted that the annual unitary payments for projects completed and currently in progress—projects signed under PFI and non-profit-distributing terms—will peak at more than £1.1 billion in cash terms by 2024-25. Those payments will come from revenue budgets, not capital budgets.

**The Convener:** By then, at least an extra £250 million will have to be found annually from the Scottish block, to meet the payments.

**Michael Oliphant:** Are you referring to the NPD projects that were outlined in the 2011-12 budget? Those projects will not be included in the £1.1 billion, because that is for projects that have already been signed.

**The Convener:** What I meant was that the gap between what is being paid now and what will be paid then will be more than £250 million—£262 million, in fact.

**Graeme Greenhill (Audit Scotland):** That is correct, based on the current projects. Further projects might add to that.

**The Convener:** Okay, so that will have an impact on the squeeze.

**John Pentland:** Challenges lie ahead in relation to redesigning services, sharing services and outsourcing. From your report it appears that the easiest aspect to outsource has been IT, given that it is a specialist field. What other areas could

local authorities outsource, to make the significant changes that Audit Scotland talked about?

**Robert Black:** It is difficult to answer your question. There is a more general question: in what areas can public bodies look at service redesign? Outsourcing is just one tool. I am not sure that I can say much more on that.

**Michael Oliphant:** I cannot speak about the areas that can be outsourced, but I can say that in our initial survey we asked a number of public bodies what methods they were considering using, in relation to joint working. A limited number of the bodies that we sampled—about a third—were considering outsourcing, and a third of those had agreed or put in place plans. Bodies did not identify services that would be outsourced.

**Margaret McCulloch:** I think that about 350 schools and eight hospitals were built using PFI. Every business case was modelled against the Treasury’s “The Green Book: Appraisal and Evaluation in Central Government”. The costs included maintenance costs for the properties over 30 years, which might cover work such as replacing a roof. Depending on the contract, at the end of the period local authorities will own some of the properties.

**The Convener:** Not in Falkirk.

**Margaret McCulloch:** Local authorities will own some of the properties, which will be assets for the authorities.

We should bear in mind the fact that we built schools through PFI. Do the witnesses agree that those projects made a big difference to pupils, teachers and the local environment? PFI is costing us money, but we did not have the money at the time to buy the schools outright, and they have benefited the communities in which they were built.

**Robert Black:** The short answer is that I acknowledge the point that you are making. In this report or in our report “Review of major capital projects in Scotland: How government works”, we said clearly that the use of types of funding such as PFI had added—was it 20 per cent?

**Michael Oliphant:** The equivalent of 20 per cent.

**Robert Black:** The use of funding models such as PFI meant that the equivalent of 20 per cent extra was spent on capital projects. I do not think that anyone doubts that the programme produced a flow of assets that are important for the public sector. The approach has benefits—there is no doubt about that.

More recently, the Public Accounts Committee and the Treasury Committee at Westminster have issued challenging reports about how PFI has



been managed. I am sure that the lessons will be learned. However, there is no doubt that the use of that sort of funding has contributed significantly to the quality of the assets in the public sector, over quite a number of years.

12:15

**John Pentland:** In your opinion, what is the greatest challenge facing Scotland: the cut in budgets or the demographic change?

**Robert Black:** It is a combination of the expenditure reductions that will be necessary and the pressures on resources that I have indicated. I spoke at some length about the demographic changes, but I also said that I thought that, for example, the maintenance of assets is a really important issue for the health of the economy and for avoiding the risk that we will end up in 10 or 20 years' time with assets being in a much worse state than they are in at the moment. Related to that is the question not only of maintaining assets but of investing in the right things. For example, in the health sector, health boards are just about managing to hold their budgets together financially. However, the demographic changes that are coming down the line, the intrinsic inflation in the health service and progress in modern technology are big, strategic issues that we need to face.

It is perfectly understandable that people will say that they want the system to stay as it is. However, if someone has a brain tumour, they want to go into the best hospital in the world to be treated and they want to be treated using the best IT systems in the world—the best scanners and so on. Standing still actually means drifting back, unless we can find a way of coming together and facing some of the real challenges in maintaining the health service at the leading edge—the best in the world—rather than slipping back as we try to manage the budget constraints.

**Paul Wheelhouse:** This is a supplementary to Margaret McCulloch's question. I do not disagree with your view that an increase in capital spend is a good thing and that there was an increase in capital spend because of PFI and PPP. However, do you accept that if the cost of such projects can be reduced—the Scottish Futures Trust's objective, for example, is to negotiate better deals and lower capital costs—more capital investment can be delivered for the same impact on resource budgets as under PFI and PPP, which obviously have a higher cost for sourcing the funding?

**Robert Black:** Certainly, the experience from the Scottish Futures Trust is that intelligent, skilled procurement can ensure that investment money goes further and that you get more for your buck, so to speak. The trend recently to create such

centres of expertise is promising. We are beginning to see signs of the benefit of that.

**Derek Mackay:** Mr Black, will you remind us when the PPP/PFI bill will reach the tipping point? When will that huge debt for Scotland reach its peak?

**Robert Black:** It is increasing cumulatively from now right through until—

**Michael Oliphant:** Annual unitary payments for PFI, PPP and NPD projects that have taken place or have been signed off already will peak in 2024-25.

**Derek Mackay:** Will you remind me of the amount of that debt in that year, which would of course have first call on the Government's resources?

**Michael Oliphant:** The most recent figure that we had when we were producing the report was £1.1 billion in cash terms.

**Derek Mackay:** Okay. Thank you.

**The Convener:** Is it not the case, Mr Black, that it is about not just enhancing Scotland's asset base but ensuring that assets are built with value for money in mind?

**Robert Black:** Yes.

**The Convener:** I have a question about best practice. We have heard a wee bit of gloom and doom today and we face a lot of challenges, but there is excellent practice out there, no doubt. Can it be ensured through Audit Scotland or the Scottish Government, or by another mechanism, that best practice is spread throughout Scotland's public bodies? You mentioned on a number of occasions that Scotland is a small country, but it seems that working practices in some areas of the country are a lot better than in others. Clearly, that leads to the waste of more resources in some areas, which none of us wants to see. What opportunity is there to ensure that we get the best practice and therefore the best use of the public pound? You referred to leadership, which clearly has a role to play, does it not?

**Robert Black:** Yes, indeed. I very much identify with that comment. There is a need to find ways of encouraging people to share their best practice and for us to celebrate it where we see it. We need to put pressure on people to come together to share and transfer best practice as quickly as possible.

If I may say so, the Scottish Parliament itself has a really important role to play here. The Parliament does many important things as a legislative and scrutinising body that represents the people of Scotland, but it does not have front-line service delivery responsibility. I would therefore welcome the Scottish Parliament

ensuring that there are opportunities for all MSPs to engage well with some of the huge promise that is out there in service redesign, for example, so that it is understood well.

A very good example that is coming forward will be our report on telehealth. The only way in which we can seize that huge opportunity for preventative spend, which offers the potential to save money and give people a better service, is by elected representatives and practitioners coming together to plan a strategy for it, because it will mean that other things will have to be stopped. So, there are big issues out there that we need to address quite seriously.

**The Convener:** Mr Black, I thank you and your team for coming along this morning and answering our questions. I realise that you had to walk a bit of a tightrope at times, to avoid stepping into policy matters, but thank you very much for your participation, which is much appreciated by the committee.

**Robert Black:** It is my pleasure.

12:21

*Meeting suspended.*

12:22

*On resuming—*

## **Decision on Taking Business in Private**

**The Convener:** Our second and final item of business is to decide whether to consider our work programme in private at our next meeting. Are members content to do that?

**Members** *indicated agreement.*

**The Convener:** Our next meeting will start at 10 am on Wednesday 28 September. We will have a discussion with Graham Allen MP on his work on early intervention and hear from members of the Christie commission on its recent report on the future delivery of public services. Finally, as indicated, we will consider our future work programme. We will have a busy day next Wednesday.

**Alex Johnstone:** And are we meeting at 9.45 for coffee and biscuits?

**The Convener:** That will be indicated, but the likelihood is yes.

*Meeting closed at 12:23.*

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