



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

FINANCE COMMITTEE

Wednesday 2 November 2011

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FINANCE COMMITTEE

8th 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:

Ron Ashton (Angus Community Planning Partnership)

Bronwen Cohen (Children in Scotland)

John Downie (Scottish Council for Voluntary Organisations)

Lorraine Gillies (West Lothian Council)

Sir Angus Grossart (Scottish Futures Trust)

Maria Reid (South Lanarkshire Community Planning Partnership)

Catriona Renfrew (NHS Greater Glasgow and Clyde)

Barry White (Scottish Futures Trust)

CLERK TO THE COMMITTEE

James Johnston

LOCATION

Committee Room 5

Scottish Parliament

Finance Committee

Wednesday 2 November 2011

[The Convener *opened the meeting at 10:00*]

Decision on Taking Business in Private

The Convener (Kenneth Gibson): I welcome everyone to the eighth meeting of the Finance Committee in this session. I remind members to turn off mobile phones, pagers and so on.

Agenda item 1 is a decision on taking business in private. Are members content to take item 4 in private?

Members *indicated agreement.*

Draft Budget 2012-13 and Spending Review 2011 Scrutiny

10:00

The Convener: Item 2 is scrutiny of the draft budget 2012-13 and spending review 2011. The focus of the first evidence session is to consider the Scottish Government's spending plans for capital and infrastructure. We will take evidence from Sir Angus Grossart and Barry White from the Scottish Futures Trust. I welcome you to the committee and invite you to make short opening statements.

Sir Angus Grossart (Scottish Futures Trust):

Thank you. It is more than two years since we were last before the committee, and we are very pleased to have engagement and dialogue with the Parliament through you. As a relatively young organisation, we have gained a lot from wide contact as we developed our changing agenda. We have had much to think about and a good deal to innovate on. In that spirit, we are pleased to be here and welcome your interest and your questions. With the convener's permission, I will cover a few top-line strategic points and Barry White will comment on our operational progress.

Our early months were spent assessing carefully the prospectus under which we were established. It had been created some time before and much of it was fairly generic and derived from collective views. As a framework for action, aspects of it had to be looked at with great care. It became clear that it had been overlaid by the financial crisis, which emerged almost coincident with my arrival as chairman. That was not a propitious time, because of the uncertainties of the financial world and the virtual disappearance of relevant private sector finance; it was not an easy time, and it was not a time of clarity.

We have moved on from that. We have a clear sense of what we want to do and, strategically, we are well focused. That was important operationally for Barry White and the excellent team that has been recruited—that was a major initial requirement. Given the wide range of people with whom we have had to engage and whose support we needed across the public sector and across departments, it was also important that we were not woolly and uncertain about what we wanted to aim at.

Our early days were overshadowed by a number of misunderstandings of our role. Criticism was made because, with all infrastructure projects, there is a time before the project is started and until it is finished, which can be many months or a year—some projects last for more than a lifetime. However, gradually we got our programme under

way, and it has accelerated. We now have an active programme. As our paper to the committee says, we oversee expenditure of more than £9 billion.

In the early period, it has been clear that our operating independence is paramount in achieving our credibility with all those with whom we must engage in the public and private sectors. When I took on the position of chairman, one of my clear personal conditions was that I wanted to chair a body that had operating independence.

As I said when we previously gave evidence, we wanted the ability to be ecumenical and not ideological in our financial approach and to do what produces the best value for money. Of course, that varies almost from case to case. My experience in the financial world is that formulaic tightness is an interesting intellectual exercise but, in practice, really good people must look at each exercise on its own.

We have worked hard to translate our independence into an independence that those with whom we are involved accept. Sometimes, that has not been easy in the public sector, because of departmental possessiveness and interdepartmental reactions, but all that has passed away. We are now pretty well received and the public sector rings our phone to seek help. We have no sense that we are in any difficult or confrontational position—we have a lot of allies.

We still have much to achieve and to improve on. Our approach to where we were heading was well endorsed by the independent budget review, on which committee members will have their own opinions. Among other things, the review highlighted areas to which it felt that we should progress. One of those—on which we have submitted two papers to the Government—is the potential for asset rationalisation. Our developed skills and our approach are apt in that regard. We have targeted some pretty clear figures, and as we have almost invariably delivered on figures that we have put up, we believe that material savings can be made.

We must prioritise our efforts, as we do not have an infinite number of people. We must get it right so that we achieve co-operation and credibility. We must not be tempted to try to do too much. It would be foolish for us to be cocky if we achieved any occasional success.

In that spirit, we try to focus our developing agenda on the things that we believe that we can do best. We try not to wander, take on too much or have a role that would distract us from our main efforts. We help many people with their problems, but we do not operate as a comprehensive accident and emergency unit. We can be a Good Samaritan, and I hope that we have helped to

raise standards by what we have done. I think that a number of examples that we have created are capable of influencing good practice elsewhere.

That is about all that I want to say. We are very busy and we are not complacent. Our strategic objectives are clear, and our chief executive, Barry White, has been an excellent recruit; indeed, recruiting him has probably been the best thing that I have done for the SFT. He is always with first-class people who recruit first-class people around them. There is an exceptionally high level of ability and commitment in the Scottish Futures Trust. It is a very professional organisation that I am very proud of, and my standards are high.

On that little fanfare, perhaps Barry White would like to talk about what we are doing on the ground.

The Convener: Mr White, do you have anything to add briefly?

Barry White (Scottish Futures Trust): Yes. I would like to make a few brief comments.

We have provided a submission to the committee that is very much about the capital budget and the well-known challenge of a rapidly declining capital budget. We focused on the fact that infrastructure is economically important to Scotland in the long term, but also in the short term. In relation to the construction industry, private sector demand for construction work decreased dramatically as a result of commercial property development slowing down, for instance. Public sector spend and what the public sector is doing are therefore of increasing importance to that industry. That is a short to medium-term issue rather than an issue relating to the long-term economic importance of the infrastructure.

We thought that we would comment on the budget using the six recommendations of the independent budget review as a structure. Prioritisation is very much a matter for those in charge of policy. We are a delivery body, but prioritisation and spending money on the right things are critical. Obviously, it is important for Scotland to get that right.

On improving efficiency, infrastructure UK, which was set up by Alistair Darling under the previous Labour Government, did a big cost review that asked why it costs more in the United Kingdom to build things than it does elsewhere in Europe. One of its key recommendations was about instilling greater discipline in commissioning projects through the objective challenge of specification and cost. We think that that is an important part of improving efficiency, good procurement and getting the right deal with the private sector.

A big part of the budget and of our submission is about additionality—that is, leveraging in extra

investment. The point that we always make about leveraging in additional investment—whether that is paid for from the capital budget, some form of non-profit-distributing model or some other form of investment under either pay as you build or pay as you use—is that there is still a bill. The Government has wisely set out how it intends to pay for things such as the NPD programme by allocating part of the future revenue budget.

In relative terms, the NPD programme is one of the biggest of its type in Europe. That is important. Yesterday, the chief executive of Balfour Beatty, which is a large international construction company, said that Scotland is stealing a march on the rest of the UK. That was a positive comment on things such as the NPD programme and tax increment financing, on which we are ahead of the rest of the UK.

An important point is that we must be nimble. In these challenging times, we must keep developing new and different ways of leveraging in additional investment. The national housing trust is a great example of that. It is working now and we are about to launch NHT phase 2, but in two years' time we will need to ask what we must do to enhance and use the knowledge acquired from NHT 1 and NHT 2 to keep developing different and innovative ways of delivering affordable housing. That knowledge is one of the key points to consider as we go forward, and we must not stand still. That nimbleness is something that Scotland can demonstrate.

10:15

The Convener: Thank you very much, gentlemen, for those opening statements. You hit the nail on the head, Mr White, when you talked about the cost of UK infrastructure projects. Your submission says that they are the most expensive in Europe—you touched on that in your statement—and that 15 per cent savings “should be deliverable”. That is obviously critical at a time when we are facing a 36 per cent reduction in the amount of money available for capital spending. The reduction in Scottish Government capital departmental expenditure limit budget from 2009-10 is actually 50 per cent.

You mentioned additional sources of finance, and I was interested to look at all the suggestions in your submission. In paragraph 2.4, on asset management, you suggest that

“Savings from rationalisation in the central estate could extend to over £28m per annum and over £500m of cumulative potential savings are identified in the local civil estate.”

How realistic is it that those savings could be realised? Many public sector bodies are clearly concerned that if they divest themselves of their

assets, they will not be able to accrue the amount of money they would like. What progress can you make in accessing that possible source of income?

Barry White: Asset management is incredibly important. A lot of work has been done, including in the 2009 Audit Scotland report and on the ground. In the local estate—by which I mean that of health boards, local authorities and the blue-light services—people are doing a lot of good work individually. One of our big suggestions is that they should join up the thinking. For example, in the south-east of Scotland, where we carried out our pilot, there are 90 depots. If they were rationalised by the individual bodies, we might get down to 80 or 75. If they were rationalised collaboratively, we could perhaps get down to 40 or 50. We will not know until we look at the detail, but it could be done in a joined-up way. We are setting up a team to work with the local authorities and the health boards as a catalyst. That is a real opportunity.

In the local estate, we are already working with health boards to maximise the potential gains from the disposal of assets. We are looking at ways of taking them to the next stage of planning and development so that when they go to the market, a lot of the work has been done to add value to sites that would otherwise fall into the lap of those buying them. We are spending a little money now to get a much bigger gain when the asset is sold.

By the central estate, we mean anything held by the Scottish Government or its agencies. The estate is very large and is principally split between Edinburgh and Glasgow, although it covers some outlying areas, too. Let us take Edinburgh as an example: we suggest asking how many people there are in total across the Edinburgh estate and what its total capacity is in order to see where rationalisation can occur. We also considered what happens when leases break. We factored in the fact that during the next five years there will be an implementation cost, which will mean that any initial savings might well be absorbed by the cost of breaking leases and paying some of that money across to the landlord. It is about getting fit for the future: you have to do these things so that in three, four or five years' time the estate is smaller and the benefit is captured for many years to come.

To be realistic, we have been very prudent in proposing the numbers. We would seek to make those savings and to do better.

Sir Angus Grossart: Our approach is one that seeks—and indeed depends on—the co-operation of the many bodies that are involved. However, we have already found, in the hub, for example—in the bringing together of community services—that you can achieve as much and indeed more, with

much better value for money, if you find common cause. Instead of having three separate locations that are all due for renewal, you try to bring them together as appropriately as you can.

There is a surprising openness and flexibility. What we are doing is not revolutionary; it is liberating because we are creating a self-challenging environment that we are encouraging people to sign up to.

What is revealing is that people say, "Well that's really interesting but do you think we can do it?" You find that you are liberating a lot of very able people within the public sector who have perhaps been trapped in different departments, unable to work together. In that way, you begin to achieve momentum and then results.

We can be a catalyst and an ally. As we are finding in procurement, this is not some tablet from a mountain but an area in which we are achieving a great deal of progress and the opportunity for reform and improvement in the public sector, not in a didactic way but as a product of what we achieve.

That is why, to a large degree, we are gaining acceptance. That is an important part of asset management rationalisation. It is not easy. It is a big task, and there are a lot of embedded attitudes and structures, but as with procurement, if you plug away and are sensible, particularly if you are professional and have no axe to grind—we do not have a departmental or political axe to grind—you will help people to achieve your main objective.

The Convener: Maintenance is an important issue. You touch on that in your paper, where you say:

"There is no specific clarity on the prioritisation of maintenance expenditure. There is anecdotal evidence that where long-term maintenance of assets is not contracted through PFI or NPD contracts, then maintenance budgets are being de-prioritised. This represents short-term thinking and in order not to waste capital investment budgets, it is essential that assets are maintained such that their effective life is not reduced."

I think we would all agree with that. Do you have any examples of where that is happening? What discussions have you had with ministers on ensuring that it does not happen, so that we get value for money?

Barry White: The evidence that we have to date is anecdotal, and quoting anecdotal evidence would be dangerous.

The overarching point is that although developing new assets where they are needed is really important, during this time when capital is in shorter supply it is important that such development should not be done at the cost of maintenance. Therefore, within each policy area, there should be clear prioritisation. Where money

has been invested in the past, it is important to keep that up to the right standard.

The wider point that we make is that we need to be careful as we build new assets because expanding our footprint in any way will result in future liabilities in terms of maintenance and operating cost.

We are working on some positive projects. The Glasgow colleges scheme is a good example. At the moment the colleges occupy more than 10 sites, but they are going down to two sites, and from 76,000m² down to 67,000m². It is a good example of an investment that allows shrinkage, which will help with future maintenance and other liabilities. There is some good news in there as well, but it is an important area for scrutiny.

The Convener: Thank you. I have just one more question before I open up the discussion to members of the committee. Between 2004-05 and 2009-10 councils' level of borrowing for capital spending increased from 27 per cent to 63 per cent of annual capital spending. Do you believe that that is sustainable?

Barry White: I do not know. Each council must satisfy itself that its prudential borrowing is sustainable under the prudential code, so from that point of view they must have taken a view that their revenue budgets were sufficient to allow them to borrow. I am not in a position to pass comment on that other than to say that the general principle would suggest that they have satisfied themselves.

John Mason (Glasgow Shettleston) (SNP): I find this a very interesting area. I could ask you lots of questions, but the convener would probably not allow me.

The Convener: You can have at least three questions.

John Mason: That is good. I will start with that. The comment has been made that we need to deliver efficient as opposed to iconic buildings. One of my bugbears is that our new transport museum in Glasgow is definitely iconic but, in my opinion, a waste of money, too. What is the relationship between you and local councils in that or any other example? Do you give them advice, do they ask you for advice, or can they just do their own thing?

Sir Angus Grossart: I should declare my interest—I am a trustee of Glasgow Life, so I understand the cruel implications of your remark.

It is really a question of the influence that we try to bring to bear. We all like good architecture, but at a time of real austerity you have to be very disciplined and you cannot be inconsistent with your standards. Therefore, you have to watch that you do not allow architectural fancy to overcome

prudence. At the same time, the quality of really good, straightforward design is quite remarkable. We find in the design of schools that some of the standard designs really look of a very high standard. They are economical, but they are not shoddy; they are well-thought-out buildings that are planned to be maintained.

John Mason: On that point, is that because councils are now building a lot of schools and have built up good experience?

Sir Angus Grossart: That is exactly the point. As people look at a design, they have to make hard choices if they want to get the floor space. For example, we are working on a joint schools procurement between East Renfrewshire and Midlothian—an unlikely marriage, you could say; an unlikely cohabitation, by our standards. The two schools being built are 80 per cent similar; the remaining 20 per cent is adjusted for particular local requirements and architectural differences. For example, one looks much more modern, whereas the other has a pitched roof. The use of really good modern design does not mean that you cannot have good architecture, but it is not iconic in the sense of trying to achieve a landmark. The question whether a landmark is what those who have the money want to achieve does not really arise. We do not have the money to do other than produce good-quality buildings. Over everything we do is the fundamental question: is this a need, or is it a want? It is a simple question.

10:30

We tackle the point, and the momentum of change must be such that people do not think that we are coming up with some centralist, qualitative intrusion—a diktat. We do not approach it in that way. We hope that, when we produce the results in relation to those two schools, other authorities will say, “We see what you’re about and we’ll revisit it with that architect.” Having one architect rather than two means that that architect will then think that we are not trying knock them back all the time but that we are giving them a chance to do something that is really worth while, which includes producing value for money—that is the responsibility of the architect.

John Mason: Thank you. Do you want to comment on that, Mr White?

Barry White: We have taken the evidence from the pilot that Angus Grossart has described and we have approached four local authorities in the south-west of Scotland. We have said to them that, given the timing of their schools projects, they have the opportunity to do something similar. We are setting out to persuade them of the benefits of that approach, which we think speaks for itself. We are optimistic that we can persuade people that

there is a better way that delivers value for money and high-quality, sustainable schools.

John Mason: I have a linked question. It has been suggested that we are spending more on infrastructure procurement than other European countries—the figure of 15 per cent has been mentioned. Have we really got to the bottom of that? Can you unpack that at all?

Barry White: A very big review that looked across the UK and Europe was carried out by infrastructure UK, which is a body that sits in the Treasury. We had anecdotal evidence that schools and roads cost more here but we wanted to see the facts, and the review concluded that there was a difference of at least 15 per cent. In the annex to our written submission, we include the review’s main recommendations. I have worked for contractors that operate across Europe and I know for a fact that schools and roads are built for a much lower cost in Ireland and Germany than in the UK. I have first-hand experience of that, but the infrastructure UK review highlighted the figure of 15 per cent.

John Mason: Is that because of a variety of things? For example, are our standards of health and safety or planning higher?

Barry White: It can be about the planning. A pipeline of work must be mapped out so that the skills base can be developed to match that. It is about getting the specification right and allowing the private sector to add value where it can in terms of the rigour up front to ensure that a project is deliverable. It is also about allowing the private sector sufficient design freedom to work with the designers in a more creative way than happens at the moment.

As a result of the review, the UK Government published a construction strategy. The hub programme that was set up in Scotland long before the strategy was published matches it almost line for line. It is about having a pipeline of work and working with the same mindset over a number of projects, taking the good bits from one project, adding them to the next one and seeking improvement.

Sir Angus Grossart: I will add one important point. The changes depend on a highly professional approach being taken in procurement. It is an area in which experience of many contracts enables one to plan how things can be done and to anticipate where they may go wrong and how the situation can be saved. Within the public sector, there are a great many clever people and, in the past, the responsibility was often given to those who were cleverest but had no experience of the detail of procurement, which can be difficult and can involve hand-to-hand combat when things go wrong. Professionalism in

the procurement process enables savings to be achieved. The recognition of that within the public sector has been quite a big change. Otherwise, people might ask, "Could we not do this? We've got some of the cleverest people here." That may be true, but you have to have horses for courses. This is a specialist, difficult area, and a lot of money can be lost if you do not approach it with a great deal of experience and caution.

Alex Johnstone (North East Scotland) (Con):

There seems to be an inconsistency between your answers to that group of questions and what you said in the opening statement. You said that you prioritise value for money and quality, but in the opening statement you said that it was important that the money was spent in a way that contributes to the Scottish economy.

I hear concerns about, for example, the fact that, although the Western Isles schools project contract went to the individuals who presented the best value deal, it produced little work for Scottish companies and Scottish people. Do you genuinely incorporate the priority in a way that ensures that the jobs that are created by the money that is spent are created in Scotland?

Barry White: Yes. The Western Isles deal that you refer to predates us—it was structured and established before we were in existence.

Every contract in the NPD programme will have a community benefit clause written into it. In the hub programme, we established community benefit key performance indicators at the outset. We are finding that companies in the private sector, which was resistant to community benefit clauses a few years ago, are now bidding at a higher level than we are asking for. Through the hub programme, we are tying in that higher level of bid for the duration of the hub partnership, which can last, say, 10 years. We are establishing a mechanism whereby the companies are accountable on an annual basis for whether they have delivered those key performance indicators for community benefits. One simple example is that one of the first hub companies pledged that 80 per cent of the work, by value, would go to small and medium-sized firms. We used the ConstructionSkills Scotland level of apprenticeships for volume of work as the minimum and, again, people are bidding above that.

I can talk only about what we are doing and will continue to do. You are right to note that the issue that you raise was not always handled as well as it could have been. To be fair, a lot of case law that has come out of Europe has empowered people to do more with regard to community benefits than was the case a few years ago, when there was a belief that including community benefit provisions would automatically infringe European law. The

situation has evolved, which has allowed us to be in a strong position.

John Pentland (Motherwell and Wishaw) (Lab): That being the case, might there be a case for having smaller capital projects rather than larger ones, in order to kick-start the Scottish economy? Alternatively, do you believe that, as John Mason suggested, the tendering exercise and the procurement process should be made a lot easier for people to participate in?

Sir Angus Grossart: At the aggregate level, the money that flows into procurement is dictated by Parliament and John Swinney. We have to seek to do the best with it that we can. The dominant effects of the flow into major projects would have to be counterbalanced. That is why we have worked hard to get alternative sources of funding, such as the national housing trust, which involves tax increment financing. London is now copying us on that, but we are a year or 15 months ahead—London does not quite understand how we have made such progress.

We are now agreed that 630 houses will be built under the national housing trust—we originally said that the figure would be up to 500. Interestingly, those houses are spread among about six or seven house builders in different parts of the country. That does not mean that we drop our standards. In all cases, a threshold must be met. There are ways in which we can seek to ensure that there is activity at smaller levels. As regards Barry White's subcontractor point, the more flexibility that there is, the more important it is to encourage really good local subcontractors, which much of the construction industry depends on.

There is not an in-built inevitability that large contracts do not produce a lot of local work, because there is so much subcontracting. The main contractor might have a relatively modest number of people on the job, but he might be very good at managing and bringing together the plan and the many other people who are involved. We are acutely conscious of that point. We do not want to see infrastructure money helping just the strongest plants; we want to help activity to flower across a pretty broad landscape.

John Pentland: I have another question about prioritisation, which relates to paragraph 2.1 on page 1 of your submission. The table in that paragraph excludes capital transfers and potential borrowing powers of more than £800 million. Will you expand on the effect of that exclusion? What difference will it make? Would more detail be useful?

Barry White: The point about the table is that because of the way in which the budget document is presented, with capital DEL and revenue DEL

lines, we could not tell which areas were benefiting from the revenue to capital transfer. From looking at the budget document, it was not that clear to us whether, for instance, there was some money in the health line that was part of that transfer.

We looked at the figures that we knew were absolutely firm and used them as a proxy for where it appears that the prioritisation lies. That is not to say that these things are not important; it is just that, in our analysis, given the information that we had, that was the best analysis that we could carry out. We were not saying whether it was right or wrong to exclude investment from capital transfers. That was simply a result of a practical issue that we faced in looking at the numbers.

John Pentland: The convener mentioned anecdotal evidence. I think that we would all agree that that is not the best basis for policy making. Should the extremely important issue of maintenance of assets be properly researched? Has the fact that maintenance is now built into contracts taken away the possibility of making savings elsewhere?

Barry White: There are two very separate points there. There are elements of the estate in regard to which a maintenance element is locked into a contract through historical contracts of various types. That means that during the current financial climate they are still being maintained to the standard that was set out in the specification. From that point of view, the large part of the estate that is subject to those arrangements is being maintained on almost a business-as-usual basis, but there comes a point when we can ask, with a view to reducing the cost of historical public-private partnerships and private finance initiatives, whether that standard is right or whether, in some cases, a lower standard would be acceptable. I do not know the answer, but that is one possibility that has been considered to reduce the costs of historical PPP and PFI schemes. For example, do we always need a half-hour response for a particular repair? To save cost, could we jointly agree, working with the private sector partner, to change that to two hours? Such issues could be considered to reduce cost.

10:45

The wider point is that there is a natural risk as capital becomes shorter in supply and people have to choose between doing something new or fixing something that needs to be repaired. We need a focus on that decision-making process and we encourage people to consider that issue. We do not want to end up in 10 or 15 years in a situation in which poor maintenance has an impact. We are not saying that it will do, but the public sector must remain focused on the issue.

The asset management work, in rationalising the estate and reducing the footprint where possible, helps to reduce the backlog of maintenance. Much of the property that needs maintenance could be rationalised, which would remove that backlog.

John Pentland: The first bullet point in section 2.2 on page 3 of your submission states:

"budgets today will buy up to 20% more".

As you are probably aware, many local authorities have embarked on a school-building programme and have a framework agreement in place. You are probably aware that the Clyde Valley high school project in North Lanarkshire Council is already part of a framework agreement, but the planned hub is not to be set up until 2012, with funding not coming through until 2014 or 2015. Is there any way in which authorities that already have a framework agreement can accelerate the process and perhaps buy into that budget saving of 20 per cent or more today, rather than have to wait two, three or four years?

I do not know whether I should declare an interest, because I am still a councillor in North Lanarkshire.

The Convener: You more or less just have.

Barry White: I knew that, anyway.

If the Clyde Valley high school project was to be delivered by capital, under the framework that would be used, capital availability issues would probably mean that the new school probably would not be opened until 2016. When we carried out an assessment of schools at the start of the schools programme, a lot of work needed to be done on Clyde Valley high to get it ready to come into the programme, because a primary school is being built as part of the campus and therefore funding was not available at that time. In the readiness review that we did, Clyde Valley high was one of the projects that was in readiness that went towards the end of phase 1 of the programme.

Switching the project to revenue, which means that it will go through the hub route, makes two things happen. First, we are certain that it will be delivered and opened by 2015, which is a year earlier than if it had been done with capital. With good will and hard work on all sides, the school could be delivered before then. As a result of the hub and the fact that the project is revenue financed through the NPD programme, there is an opportunity for the new Clyde Valley high school to be opened earlier than it would have been if it had had to wait for capital availability in the framework.

We will have the preferred bidder for the hub company in August 2012. Between now and then, we want to work with North Lanarkshire Council to

do some design and development so that, when the hub company is appointed, the process can move forward quickly. We have a track record on that with the south-east hub. Within a matter of months of that hub company being set up, we started construction on some projects, with the same process having been gone through. There is an opportunity to have the school earlier than would otherwise be the case.

Paul Wheelhouse (South Scotland) (SNP): Thank you for your evidence so far. I have three separate questions, the first of which is a point of clarification about the table on page 2 of your helpful submission, to which John Pentland referred. The table outlines the Scottish Government's current prioritisation of spending.

Under the infrastructure and capital heading, there is a figure of £250 million in NPD capital for rail at level 3. Does the transfer of the Borders rail project to Network Rail and to a regulated asset base funding model offer an opportunity to release that £250 million of NPD finance for other projects, as the project now comes under a different heading?

Barry White: That would be a matter for ministers rather than for us. The switch to RAB does not mean that the project comes free—some resource will be required to pay for it in the future. The question whether that frees up part of the NPD capital comes down to whether the person signing the cheque says that there are other things that they wish to do with the money.

Paul Wheelhouse: Is it your understanding that you still have £2.5 billion of NPD budget to play with?

Barry White: No one has changed that as yet. It was originally allocated to three transport projects: the M8 bundle, the Aberdeen western peripheral route and Borders rail. As things stand, we have the AWPR and the M8, and nothing has been changed.

Paul Wheelhouse: That is helpful.

I appreciate that the implied prioritisation in the table is not your prioritisation—it is just the way in which things have worked out given the split of spend in the budget. However, I have heard investment in broadband mentioned on a number of occasions. I was at the Borders digital forum on Friday, at which members of the public and the business community were talking about investment in broadband, and I am aware that a number of regional bids for broadband are being submitted to broadband delivery UK.

Do you have a view on the relative importance of investment in things such as broadband and 3G and 4G mobile phone coverage, which you do not mention in your list of potential future investment

areas? Would the SFT have a role in procuring that?

Barry White: I am convinced that it is vital. One test that we always apply in our minds is to ask whether future generations would thank us for making a particular investment. Digital broadband is one of those key areas.

One of my favourite stories concerns last year's G20 summit in South Korea. All the western smart phones could not use the local mobile phone network, and people assumed that it was because the network was very poor quality. In fact, it was because South Korea has rolled out 4G for its mobile phone network, so it was the western technology that was not keeping up. That highlights an important point about international competitiveness. If we are not improving our digital economy, we—not only people in Europe, but in the middle and far east—are falling behind.

We are currently working as part of a digital team on an initial business plan for digital roll-out. Whether there is any roll-out going forward will depend on the plan that emerges, but we are working jointly with the Government on that and we view it as one of our priorities.

Sir Angus Grossart: We mention in our future agenda on page 2 of our submission that one of our priorities is

"Broadband investment to enhance competitiveness in a digital economy",

so we are well aware of it. We have been working closely with the Royal Society of Edinburgh, which has tried to develop a plan. What is the name of its plan? It is not broadband Scotland.

Barry White: It is digital Scotland. It is about getting more fibre in place to create a bigger backbone. One of the key challenges is establishing how much backbone exists at present. BT Openreach, Virgin and all the other companies that have cable in the ground are not that keen to show their hand, because they view their own capacity as a commercial issue. However, it is critical for Scotland that we get that enhanced capacity in the digital network.

Paul Wheelhouse: Sir Angus Grossart noted that broadband investment is mentioned on page 2 of your submission. Is it fair to say that we could tack 3G and 4G on to that? Would that be equally important, given your experience in South Korea?

Barry White: There is a general point about the whole digital economy, whether broadband or 4G. It comes down to whether you think that 4G will happen largely by itself because of the demand for it coming through the network, or whether you think that some support is required to get it to all the areas where it is needed.

Paul Wheelhouse: Thank you for that.

Figure 2 on page 28 of the spending review document—I appreciate that you might not have it in front of you—shows the Scottish Government's capital investment profile. Clearly NPD is critical to maintaining the level of overall capital spend over the spending review period and addressing the Nike swoosh effect, to which Mr White referred in the briefing to South Scotland members.

Have you been able to take account of the implied improved value for money that you can get at the moment in terms of capital spending—the 20 per cent more efficient capital spending that you get because of the competition for contracts between construction firms—plus the fact that you are supplementing the Government's DEL capital budget with the NPD stream and the resource to capital switch? Do we have an overall assessment of the outcome, rather than the cost, of construction projects? Are we getting roughly the same amount of kit on the ground as we perhaps got in 2006-07 because of the combination of those factors?

Barry White: I have not carried out such an exact evaluation. It is quite a tricky one to do because of the lag time between when the money was spent and when something was procured. There tend to be winners and losers in procurement, in that quite often people assume that costs will go up or down and they price things accordingly. The published indices show that we are buying at 2006 or 2007 prices. In real terms, the capital budget with a little bit on top should be buying roughly the same number of schools and hospitals, but the analysis is very difficult to do exactly; we can do it only at a very high level by looking at buying power in 2007, buying power now and the actual available money. This month we want to use the current market to our advantage to get some NPD projects into procurement as quickly as possible, partly because of the effect on jobs but also to get teaching and learning benefit into the colleges.

Paul Wheelhouse: That explanation is helpful. Would it be fair to say that in the absence of the NPD programme we would be missing an opportunity to capitalise on the better value for money that is available at the moment? We would not only have a reduced capital budget, but we would miss the opportunity to deliver more efficient spending.

Sir Angus Grossart: There is a buying window. The more money that is available to us, the better we can capitalise on that window.

Barry White: I would strike a slight note of caution, too. We look at value for money on a very wide basis covering buying power, the cost of finance, how the service is specified, how it is

procured and the contract structure. A lot of the work that we are doing in the NPD programme is to simplify things and build in more flexibility. From that point of view, other things that we are doing help to improve value for money. With the national housing trust, we started off with an interest rate of less than 3 per cent from the Public Works Loan Board. During procurement, the rate went up to more than 4.5 per cent and now it has come back to less than 3 per cent.

We always look at value for money in the widest sense, rather than at any individual aspect. If you are an employee in a construction firm right now, you are very glad that NPD is happening. Balfour Beatty's chief executive said that Scotland is stealing a march and is ahead of the game in getting more done. The sentiment that I am hearing from the construction industry in England, Wales and Northern Ireland—certainly outside London, which is a different market—is that Scotland is doing a lot more than much of the rest of the UK. That is about not just NPD but tax increment financing, the national housing trust and transferring revenue to capital.

Paul Wheelhouse: I have one more question, if I may, convener.

The Convener: I have to allow other members to come in.

Paul Wheelhouse: Okay.

11:00

Margaret McCulloch (Central Scotland) (Lab): Good morning. You said that a community benefit clause is built into every contract in the NPD programme. Will you clarify what those clauses contain?

Barry White: In going to the *Official Journal of the European Union* to advertise a new project, we start with a pre-qualification questionnaire and then move to a full tendering process. A series of guidelines has been issued on the inclusion of community benefit clauses.

The community benefit clause has to be linked to the overall purpose of the organisation, so there are certain restrictions, but the critical requirements are a champion within the organisation who sees the clause as important and corporate buy-in by the organisation that is doing the procurement. The clause also needs to be put into the procurement process early and in a fair and transparent way, with appropriate legal advice to ensure that it is compliant. Under such a clause, requirements can be stated about, for example, training or creating job opportunities for the long-term unemployed. There will be different requirements in different places, but the inclusion

of such clauses is aimed at providing opportunities for training and employment.

Margaret McCulloch: Are maintenance costs built into the NPD framework? When a school or hospital is built, are the maintenance and repair costs built in?

Barry White: Yes. We have been asking how we can simplify that as far as possible, and we want to ensure that the arrangements are as flexible as possible for users. We have said that things such as cleaning and portering should not be included but that maintenance and the life cycle of the building should be, although in many cases that will exclude things such as internal decoration and floor coverings. We are asking for high-quality buildings that will be maintained in that state and which can be used flexibly. Using the NPD model will benefit the end users.

Margaret McCulloch: At the end of the contract between the local authority and the contractor, does the building go back into the local authority's hands or does the contractor own it?

Barry White: It is owned by the public body at the end of the contract. Technically, it is also owned by the public body during the concession, but there is an arrangement whereby the service charge is paid to the private sector partner.

Margaret McCulloch: How does that differ from PPP?

Barry White: It differs from PFI. To me, PPP is a generic term that covers almost everything that we do, in some ways. To my mind, the national housing trust is a PPP, albeit that people use it in different ways.

NPD differs technically from PFI in that one of the key disagreeable bits of PFI was that people felt that the private sector made too much profit for the risk that it took. One of the key aspects of the NPD model is that it caps that element of profit, and it also allows greater transparency. In the NPD programme, we are shaping and moulding projects in a different way so that the issues that we have discussed are addressed—maintenance, energy risk and so on—and buildings are more usable and simpler to operate.

Margaret McCulloch: Is there a profit at the end, under NPD?

Barry White: The NPD model still requires a bank to lend money to finance the building of the project. The debt will be repaid to the bank and it will get a margin on top of that. The developer will put in another level of debt called sub-debt and they will be paid a return on that, but it is capped. In the hub programme, people are capping that at a relatively low level compared with historical PFI projects.

Sir Angus Grossart: The cost in money is defined, so you know where you are instead of having something open-ended. You have options, too. If it is costing too much or you do not like the cost, either you can try to find a lower cost elsewhere or you can accept it. At least you know what you have and it is established on a cost basis rather than as a floating return. Somebody has to lend the money, so the person on the other side of the table must decide whether it is sufficient for them. There is a point at which it is sensible for us and at point at which it is sensible for them.

Margaret McCulloch: But a profit is still made.

Sir Angus Grossart: I do not know whether we should get into the semantics of what a profit is. They get a return on their debt—they do not have an equity interest and the amount is not variable so, as a banker, I would describe it not as a profit but as a return—and if that return gets excessive, that is excessive. Our approach tends to be fairly non-formulaic. We do not go around with initials or labels; we see every transaction as different. In each negotiation, you have to be aware of the market rates and of what might be available if you want to do things. If it is too expensive, you have to pass on it—you do not want to be a patsy and pay too much just for the sake of activity. We are not trying to create a political scorecard, but trying to do a responsible job and produce value, so there is a pretty spirited process of challenge on pricing. In a competitive world—and, I hope, in a world where there is more private sector money around, although there is not a lot of it around just now—we can do a job that produces a valid and identifiable cost while achieving our main objective of producing value. We operate under the banner of value, but we are not formulaic.

We do not have one single ideal formula, as it no more works in the financial world than it does in life to get yourself logjammed on some model. When I arrived, I found that time, conferences and papers were spent on trying to produce the ideal model, but the pigeons were circling the roost without descending. You can get into a Jesuitical dance on an intellectual pinhead about whether there is a single finite model for financing, but the only model there should be, which cuts across everything, is the one of producing the best value that you can at the time. Otherwise, you should not do it and you should say that the value is not right. That is our discipline and our professional approach.

We are independent and we do our job with intellectual integrity, so people know that we are there to get the best possible deal for the public sector. We are very experienced and, as we progress, we build up and retain our knowledge. Previously, consultants were brought into the public sector and were then often rehired by

adjacent local authorities and paid the same fee for the same information. We retain and improve our expertise and—we are not in any way arrogant—we are getting better all the time the more experienced we become.

The Convener: I know that one or two other members want to ask supplementaries. I will let folk come in with brief supplementaries—one question only—towards the end, but Alex Johnstone still has to ask his questions.

Alex Johnstone: I need to deal with a couple of issues. First, there is broad acceptance across the political spectrum that we need to rebalance the Scottish economy so that we rely less on the public sector and have a bit more in the growth-creating sector of the economy. We have already seen the benefit of that in recent reductions in employment in the public sector being balanced or more than balanced by increases in employment in the private sector. Last week, we took evidence from the Centre for Public Policy for Regions and the Royal Society of Edinburgh, which suggested that, in order to foster such rebalancing, we need to prioritise within capital expenditure in future years. It was suggested—this is a broad generalisation—that we need to spend more on roads, bridges and broadband and accept that we will spend less on schools, hospitals and museums, as we heard earlier. Does the budget that has been presented reflect that, or is there room for further rebalancing in the budget?

Sir Angus Grossart: The amount of money in the budget and the priorities are set by ministers. We are not really involved in the preparation of the budget per se; rather, we implement and deliver. Obviously, with our experience, we are available for comment about what can be achieved in a particular area or what pipeline might be required when we are asked to comment on such things. I subscribe to the view that public infrastructure expenditure is very important in a time of recession, but we cannot cross a political boundary. In fairness, you should probably put that question to Mr Swinney, if you have not already done so.

Alex Johnstone: I will indeed.

The Convener: You will get your chance on Monday, Alex.

Sir Angus Grossart: I am sorry if I appear to be ducking the question.

The Convener: Not at all.

Barry White: I would like to make a couple of brief additional points. There is no formulaic approach around the world that gets things absolutely right. For instance, economists would say that building another motorway in Belgium would not create any value at all, because there

are already sufficient motorways there. Therefore, simply building roads and railways does not necessarily always add value.

We have in the past looked at what is happening elsewhere in the world. Infrastructure Australia does a valuable job in setting out to scrutinise against criteria that are set in law. It scrutinises projects that want to draw money out of the building Australia fund that was set up. Ministers still have the final right to decide what is done, but that adds a lot of transparency and scrutiny to the process against a set of criteria that are enshrined in law. There are improvements that can bring greater transparency to the prioritisation process.

Alex Johnstone: I want to move on to a slightly different subject. Scottish Water is mentioned in your submission, as it was in the evidence that we took last week. Your submission says:

“SFT reported to Government in 2010 on potential future funding options for Scottish Water.”

If Scottish Water was restructured and funded in a different way, there would, of course, be the opportunity to release substantial capital at the outset and reduce its on-going revenue costs in future budgets. There has been resistance to that approach from the Government, but some of us would describe it as a no-brainer. The SFT reported on the matter. Do you have any more to say about that particular area of policy?

11:15

Sir Angus Grossart: We continue to stand by our paper, whose origins and genesis were in our dialogue with the independent budget review panel—the Beveridge committee—which recommended that the issue should be looked at. Of our own volition—which shows why our independence is important—we produced not a finite conclusion but a paper on the structures and the options. We felt that we had a responsibility not to be silent or political but to describe the options for that major area of infrastructure. We stand by the paper that sets out the options. It is clear that the Government does not propose to do anything about Scottish Water. If it did something, we would stand by our paper. There are several options, which depend on the Government's decision.

Is the question important? It is important in scale; the relative political significance is for others and not for us to judge. We have done our job. Our paper was generally well received, not because it pointed in one single direction but because it illustrated three or four options. We stand by our paper.

Paul Wheelhouse: My question is supplementary to your discussion with Margaret

McCulloch about the profit and so on from projects. I appreciate Sir Angus Grossart's point that no one funding model exists, so we cannot be too prescriptive. However, it might help the committee if you spoke generically—without referring to commercially confidential information—about the difference between the annual return on capital that would be expected from an NPD model and the returns from an old PFI/PPP model.

Sir Angus Grossart: It is clear that the return varies from contract to contract, because of the cost of money in the market, its availability, which is a pretty important factor in pricing, and a project's viability. In considering the current value of an NPD model, we look at how we get something that equates to or is pretty close to the best terms that are available in the market.

As a starting point, PFI appeared to reflect market conditions, but complex PFI contracts had a series of variables that the public sector was not necessarily experienced in or familiar with. The end product was—surprise, surprise—the potential for those who astutely engineered PFI contracts to get a fairly open and escalating return.

How has the cost of money moved? In one sense, it has become cheaper. Interest rates are lower per se, but people do not just borrow money at a basic rate of interest. The banks, insurance companies or pension funds that might provide money look for a margin that equates to the alternatives that can be found elsewhere for investing in projects.

Putting a finger on the issue is difficult, but the basic cost of money should be less. The ability to cap the return and to have better knowledge and control of the variables should mean that people have a good grip on the situation. Anecdotally, I can say that some projects under PFI had internal rates of return of 20 to 25 per cent. What is a good rate at the moment? It varies from contract to contract, but it is not nearly at that level, or even at half of that. At the end of the day, there is the benchmark, but there is also the cost of money through the Public Works Loan Board, so you have to look over your shoulder at that and ask whether, if there is to be an additional cost, it is really sensible.

John Pentland: My question is along the same lines. Even although you are saying that profit is capped under NPD—

Sir Angus Grossart: The return is capped.

John Pentland: Are we sure that the profit is not already built in earlier in the process? Given that, in the current climate, construction workers are desperate for work, is there any evidence that can assure the committee that there is a difference

between the projects that are procured under NPD and those that were procured under PPP?

Barry White: When we look for the benefits from NPD, we look at value for money in the wider sense, the costs of construction and finance, and everything else. NPD has been around for some time. I worked on the first NPD project, which was developed in Argyll and Bute when Andy Kerr was in the Scottish Executive. At that time, the rebate had to go to a charity rather than come directly back to the public sector; one of the benefits that we have introduced is the rebate against the service charge coming back to the public sector.

The core difference is that there will be a public interest director on the board of the company, which means that there will be transparency. If there are worries about hidden or unseen things happening beneath the surface, the director is not just an observer. They are legally entitled to look at the accounts so that they can understand what is happening in the company. There will therefore be transparency about whether things are happening behind the scenes. What is happening to the company finances will be clear. The Scottish Futures Trust will appoint that public interest director, so we will have visibility across all the projects.

The point about an additional safeguard is valid. The competitions themselves will play a critical part in that. The idea has been that people can hide money, but the competitions are structured and people work together to get the best overall cost so that the cost to the public sector can be as low as possible. There are also pressures from different parts of the consortium such as those providing the finance, the builders and the maintenance providers. They all put pressure on each other to be really competitive. The dynamics work to drive out the lowest unitary charge first of all, which is good for the public purse, and then the net catches what used to go out as profit and returns it as a rebate to the public sector.

The Convener: I will allow Margaret McCulloch a very brief question. We have to make time for the next evidence session. John Mason will go first.

John Mason: I go back to the Scottish Water question. Your report says that

"The option remains to gain a significant capital receipt",

and Alex Johnstone used the words "release capital". Am I right in thinking that, whatever words we use, we are just talking about another way of borrowing, and that any suggestion that Scottish Water should become a separate organisation would be so that it could borrow more and, although it would not be on the Government's balance sheet, it is just a device for borrowing more?

Sir Angus Grossart: Well, it is a structure that would take the borrowing obligation into a different place.

John Mason: Right, but the customers, or whoever, would still have to pay for that borrowing eventually.

Sir Angus Grossart: Oh, yes, but one point we made in our report, which was also made, I think, by the independent budget review, was that a changed structure would not necessarily produce a higher cost for the customer.

John Mason: That is fine. It was a brief question and I am happy with that.

The Convener: Finally, Margaret.

Margaret McCulloch: Very briefly, when other organisations tender for work, is it only NPD that you consider, or do you look at other models as well for best value for money?

Barry White: The money that is allocated to NHS Lothian is allocated by the Government for an NPD project, so it is an NPD project that will be pursued, as part of an NPD programme, but there are still a lot of capital works being procured quite separately from that, through such things as TIF and the national housing trust. NPD is not the only method, but it is the one that is being used for the whole £2.5 billion programme that was referred to earlier.

Sir Angus Grossart: I emphasise that we are intellectually ecumenical. It is not a licence and we are very disciplined, but we are not strangled by some narrow, single approach and I am hopeful that we are getting better at it all the time.

The Convener: Thank you very much to members for their questions and to Sir Angus Grossart and Barry White for answering them.

11:26

Meeting suspended.

11:32

On resuming—

The Convener: We will now take further evidence on the draft budget and spending review. The main purpose of this session is to consider how preventative spending features in the draft budget and spending review. This is the second of two round-table sessions.

As part of its scrutiny of the draft budget, the committee has identified a number of key themes in the submissions that it received in response to the call for evidence on preventative spending, which was issued in advance of the publication of the draft budget. Those themes are national

leadership, prioritisation of resources, collaborative working, financial challenges, and the national performance framework and measuring outcomes. We will go through those themes step by step in order to provide structure to the meeting, and will spend about 20 minutes on each.

I welcome to the meeting Ron Ashton, from Angus community planning partnership, Bronwen Cohen from Children in Scotland, John Downie from the Scottish Council for Voluntary Organisations, Lorraine Gillies from West Lothian Council, Maria Reid from the South Lanarkshire partnership, and Catriona Renfrew from NHS Greater Glasgow and Clyde.

I will kick off on national leadership. John Downie said in evidence:

“A final factor in making the shift to preventative spend is political will and leadership to drive the agenda forwards and overcome opposition from vested interests.”

I ask John to start off. If members wish to comment on his introduction, please indicate to me that you wish to participate.

John Downie (Scottish Council for Voluntary Organisations): Overall, we very much welcome the direction of travel in the preventive agenda and the budget. However, as a number of others have asked, how will the Cabinet Secretary for Finance and Sustainable Growth ensure that national health service boards and local authorities deliver what he wants?

We have identified that only £260 million of the £500 million for prevention is coming from the Scottish Government and that the rest is coming from national health service boards and local authorities. As we have seen, there is a distinct lack of shared objectives or vision around the change funds. Some local authorities have deliberately not acted in the spirit of what the change funds were intended for but have acted in another way. Glasgow City Council, for example, has spent nearly £1 million on buying social care from its in-house provider, Cordia (Services) LLP, and we have seen it buying residential care, which is not what the change funds were intended for. The political leadership wants to drive forward the prevention agenda, but we feel—and the evidence that the committee has received, which you have summarised, shows this—that people are asking for more direction. By that, I mean not more control but less ambiguity about how things are to be done.

I was pleased to hear community planning partnerships asking for more direction. At the moment, we have a number of partners—the NHS, local authorities and chief executives—with different accounting structures and different outcomes that are not interlinked in a way that is

going to make a difference. A few weeks ago, I heard the chief executive of a local authority say that it may be a good idea to give the chief executive of the health board and himself joint accountability for their own objectives. That is a radical idea; it would be interesting to see how it would work. No one is saying, "This is what we intend to do—you have to get with this direction of travel", but we need that political will to drive forward the agenda. I totally understand that, as the finance secretary would probably say, we have locally elected representatives who are elected to deliver on their manifesto commitments, but there is a bigger picture at the moment.

We can see vested interests in different areas, where organisations are not up for the change that is necessary to drive forward the agenda. The change funds are a pretty good example of that. Only 18 per cent of the reshaping care for older people change fund is spent on prevention; the majority is spent on funding existing methods of care.

Some local authorities have acted really well. In our written evidence, we highlight South Ayrshire Council's carers centre, and in Orkney, Midlothian and the Borders, local authorities are being proactive and are involving the third sector.

In terms of the change funds, the third sector was supposed to be at the table with parity of esteem; it was to be a partner in the process, and not there just to sign off what other people had decided. However, in many areas the third sector has no power—we have been presented with faits accomplis. The structures work against the third sector being actively involved. There has been buy-in to prevention from leadership at the top of the Scottish Government, but we need to ensure that that also happens at the local level.

Paul Wheelhouse: John Downie's comments are interesting. You say that the Scottish Government has shown its colours in making a decisive shift towards preventative spending. I wonder about the roles of this committee, of Parliament and of others including the Convention of Scottish Local Authorities. When you talk about national leadership, do you see that responsibility falling only on the Government or should there be greater leadership from the likes of COSLA, as the national body representing all local authorities, and from Parliament as a whole? The Government is just one party. Given the diverse colours of local authority administrations throughout Scotland, is it important that Parliament as a whole gets behind preventative spending? Is it important that COSLA, as a single body, gets behind it and provides leadership on the agenda?

John Downie: Every party in the Parliament agrees that preventative spend is the way forward;

the issue that we are debating is how we can deliver on the preventative spend agenda.

COSLA looks from an outsider's perspective to be split according to political groups, and different coalitions in the political groups are running councils. I therefore do not believe that COSLA speaks with a single voice or can get agreement on preventative spend. From what chief executives of local authorities say, they seem to be up for change and want to move forward on prevention. So, what is the barrier to that? Is it elected members? Is it middle management in the councils, or is it their leadership? We could debate that endlessly, but COSLA probably needs to get its act together and show a bit more commitment. It apparently bought into the Christie commission report and preventative spend, so it needs to engage further and be strong in its own leadership.

The Society of Local Authority Chief Executives seems to say all the right things on preventative spend and is trying to move that agenda forward. If the chief executives are on board, we need the elected members to be so, as well.

Catriona Renfrew (NHS Greater Glasgow and Clyde): Maybe I can open up two or three points. The rhetoric around prevention is easy because prevention is important and it is the right place to be. I think that most of us who work in the public sector would have no difficulty in saying that prevention is clearly better than early intervention or, indeed, than later treatment. However, it is too early to say that there has been a "decisive shift" to preventive spend. The budget proposals in that regard are welcome, but they are at the margin of total public spending in Scotland, so I am surprised to hear that there has apparently been a "decisive shift". I believe that there has been a shift in the language and the rhetoric, but that is not yet represented in how public bodies use money. I struggle to see that as a local issue. A number of people have in evidence picked up on the national leadership issue: Grampian Police, for example, captured it very nicely in what it said to the committee.

In the health service—of which I have most knowledge—every new drug or treatment costs money, so that is a missed opportunity to shift money to prevention. However, almost all our targets and the pressure that we are under are about making such provision for individual patients. That does not mean that they are wrong, but there is an opportunity cost.

Some evidence to the committee has recognised the challenge of disinvestment. Prevention is not about finding small pots of new money to use; if we are serious about prevention, it will cost a lot of money to do it properly.

We submitted written evidence on our work on early intervention and prevention to stop neglected children from becoming future prisoners or kids who fail in education. There is great evidence about how to do that, but finding £30 million or £40 million in Glasgow city to do it is a challenge that is beyond us. It is not because we do not want to do it. We all agree on what we should do, but shifting cash from prisons and the police to other public services is enormously difficult. There has not yet been real acceptance that prevention means disinvestment.

In Glasgow community planning partnership, we had a debate about £2 million that comes from community planning money to fund community policing and extra police on the beat. The politicians and the public like that but, in truth, crime rates are falling, so it can be argued that we should spend that money on family support for kids who are neglected so that when they get to school they are not already three years behind the development stage that they should be at, with their life chances being affected for the next 20 or 30 years.

For me, the challenge is therefore much more about what COSLA and SOLACE say and how we work with local authorities. It is a much more fundamental question about how we reshape public policy right across the public sector, and how we reshape the money accordingly.

Alex Johnstone: John Downie said that some local authorities are better than others—including third sector organisations—in their decision-making processes. He listed a number that are good at it and was very cleverly more general about those that are less good.

In your opinion, is the stumbling block structural or is it about personalities in organisations? Further, is there the same stumbling block, or a parallel one, regarding resistance to the change to preventative spend, including in third sector organisations? Basically, is it the same people who are the problem?

The Convener: You can take that question if you want, but you do not have to answer it.

11:45

John Downie: The structural debate in Scotland about the number of local authorities, police forces and fire services has been mentioned. Our view is that at this point it would, on balance, probably be a mistake to go down that road, because—as Catriona Renfrew said—we have to do so much to drive forward and change the policy on prevention. I say to Alex Johnstone that this goes to the top part of the structure in the sense that in Scottish Executive and Scottish Government budget spends—I have analysed

them in a previous role—and the old Scottish Office budgets, the budgets for the blocks of spending have not changed over the past 10 to 12 years. I know that the committee has discussed that; part of the problem is that we are still dealing with things in isolation.

We could take a structural route but the question is this: What outcome do we want in order to achieve a better Scotland? Through early intervention, preventative spending, or whatever term we want to use, we want to achieve better health outcomes for young children. That is what we must seek.

In the long term, we need to look at structural reform. Over time there might be a genuine marriage of, for example, the three councils in Ayrshire, or we might go the other way and adopt a Scandinavian model, because some people would say that even North Ayrshire Council is not that local and that people do not have power and control locally. The involvement of people in communities is a key issue. I heard someone from Glasgow City Council talk about the equally well pilot in Glasgow, which seems to be going quite well and is helping people to help themselves. He said that the problem is that we did not involve local people in deciding what outcomes we want from it. If we want to change the agenda in terms of prevention and health, we must involve people much more. Co-production is an overused word, but it really is down to that.

There are issues with structures and with leadership in organisations. A lot of people are resistant to change. The committee discussed Scottish Water. Members might remember that, when the Government privatised United Kingdom water, Nicholas Ridley, who was then Secretary of State for the Environment, was presented with the fact that 90 per cent of people in England opposed the privatisation and said that if they got it right it would not matter. Two years later, everybody was in favour of the move because it worked.

The perspective must be that we need to do the right thing—whether you agree or disagree about what that is—and to start asking what outcome we want and whether it will make a difference to people's lives. Such criteria drive prevention and co-production. There is an issue about power and control for local communities and local people.

The Convener: We will do a strategic review of all the expenditure silos in due course.

Bronwen Cohen (Children in Scotland): I will make a point about national leadership and will perhaps also respond to Paul Wheelhouse's point on local leadership.

As members know, Children in Scotland focused much of its evidence on the early years, partly because that period is incredibly important

and also, I suggest, because some issues around early years are relevant to other areas.

There is a great need for us all to be clearer about what early intervention is. In the additional evidence that Children in Scotland submitted, we focused on the need to be clear not only about its being a lifetime investment—which a lot of the current discourse relates to—but about some of the immediate benefits that are related to employment that can be gained from investing in services. There is a need for national leadership on that, because we are still very unclear about it and about some of the measures that need to happen at national level in order for us to achieve the benefits.

The biggest issue, which we are really concerned about, is the on-going divide between education and childcare, which remains a big challenge. Members may have seen the story in *The Scotsman* yesterday about Social Care and Social Work Improvement Scotland's report on childcare. You might, as did 95 per cent of the population, have wondered where school nurseries are in relation to that. They did not feature anywhere in the inspectorate's report, because it focused only on childcare. The story in *The Scotsman* was slightly confusing for those who read it—I do not know whether members did—because it talked about a one in four drop. That drop actually related to crèches, which are temporary childcare support. That is an incredibly important example of where we need better statistics nationally if we are to achieve what we want.

On local leadership, local authority early years managers have a good understanding of what is required, so there is potential for a lot more to be achieved locally if those managers are resourced effectively. I hasten to say to John Downie that that does not mean that they do it by themselves—they do it with partners. We put such great emphasis on the change funds because of the importance of funding change. No country in Europe has achieved the kind of early years services that all countries need without having provided direct funding to enable that to happen. In Norway, which is one of the most devolved countries in Europe, that was done through ring-fenced funding—we choose not to like that term, but that was how it was achieved—that diminished and has now ended. I simply repeat that no country has been able to achieve such services without that type of funding.

On leadership, there are things that must happen at national level, but we must also have more confidence in what can happen locally.

The Convener: I will let Catriona Renfrew in on that point.

Catriona Renfrew: I am happy to queue.

The Convener: I am sorry. I thought that you had a supplementary point on what Bronwen Cohen said.

The need for robust data has come across from many organisations in recent weeks. The committee is taking that on board.

Margaret McCulloch: In the submissions, it comes across clearly that many agencies are asking for support and direction from the Government. I have visited South Lanarkshire Council's victim support unit to talk about preventative spend and to find out how the council implements it. I am going to visit a few of the council's initiatives. However, it seems to me that everybody is working in isolation and there is not an awful lot of shared practice. To set up preventative spending on early intervention and to make it effective, would it be an option—it would probably not be a very popular one—to ring fence the money and make the CPPs accountable for managing the spend, with inbuilt monitoring of the success of each initiative? That could be done for a trial period, after which we could consider whether it had worked. If we do not set something up we will, in two or three years, probably still be sitting round the table talking about the issue and hearing about wonderful things that happen in various areas but not everywhere.

Ron Ashton (Angus Community Planning Partnership): To follow on from Margaret McCulloch's points, I am a firm believer that the community planning partnership is the vehicle that must be used. I hear lots of talk from all sorts of public sector organisations about organisational change. From my perspective, that is a bit like rearranging the deck chairs on the Titanic, because we are not getting to grips with the problem. The problem is the culture in a wide variety of organisations including—dare I say it?—in the voluntary sector, where organisations sometimes compete with one another for funding. Therefore, we must use the existing structure, which is the community planning partnership, and bring in a change fund that allows the outcomes that are determined nationally to be pursued. Margaret McCulloch is absolutely correct about that, because nothing excites bureaucrats more than following money.

We have done a bit of work on that in conjunction with the NHS. There has been a pooling or alignment of budgets that allows outcomes that have been determined locally to be pursued and achieved with great success. From my perspective, Margaret McCulloch describes the way in which we can start to move the process forward quickly, rather than wait for structural change.

The Convener: I want to move the discussion on, because we have other issues to cover, although that does not mean that we cannot touch on what has been discussed so far, and I hope that we will. I want to move on to prioritisation of resources. Before I let Catriona Renfrew back in, I will bring in Maria Reid, because South Lanarkshire CPP, in pointing to the likely focus of public spending, stated:

“A third issue is around statutory duties and regulations which can put up barriers to collaborative working and a preventative approach. The Scottish Government has acknowledged that it is understandable that the public sector may increasingly focus scarce resources on meeting their statutory obligations.”

I ask Maria Reid to comment on that.

Maria Reid (South Lanarkshire Community Planning Partnership): I work for NHS Lanarkshire and am a member of the South Lanarkshire community planning partnership. One of the concerns is that the pressure that we are under to share resources continues. I want to pack up what Margaret McCulloch said. In South Lanarkshire we have very good examples of where we have used tackling poverty money to do just what Ron Ashton outlined, which was to work together for shared outcomes. We can give examples of that, but what has disabled us at times has been the term of that funding. I am sorry—I have lost the thread of what you asked me, convener.

The Convener: I quoted your submission in order to kick-start the discussion.

Maria Reid: I am sorry. I think what you asked was around statutory duties.

The tackling poverty funding, the previous regeneration funding and other pots of money are continually being pooled and we feel that there is pressure from education and social work for that funding to go to statutory spend. Recently we had to fight very hard locally to make sure that the money that we have for early intervention themes and women's support—to which Margaret McCulloch referred—is protected. There is a feeling that it will get dragged into mainstream spend.

Catriona Renfrew: I want to respond to Margaret McCulloch's point. The model that she described would create some change. She will have seen a number of examples of ring-fenced money and initiatives creating the kind of change that she described. The difference is that if we are talking about an ambition for Scotland to make that “decisive shift”, the five categories that the committee has talked about all need to be lined up. Addressing any one of them by itself will not make a decisive shift. It will create more projects and more schemes that work well locally, but it will

not make the shift that says, “Let's spend less money on prisons and more money on getting two-year-olds in nursery placements so that they go to school with a proper start in life.” That would be a decisive shift. We can do that for a few kids. There are examples of doing something for 10 families, which is great but does not represent a significant change in public policy around how we tackle these issues.

There are two issues with the change funds. The older people's change fund was never really about prevention, because you cannot prevent people getting old—we will all get old. It was about trying to find different ways of dealing with old age and addressing the huge problem of delayed discharge in hospitals. To badge that money as being about prevention has created expectation in all sorts of areas, including the third sector, about what it is possible to do with that cash. When you are not clear about the purpose of money and you are not realistic about what it is able to deliver, that is a problem.

It is not yet clear to us how the fund for children will operate. The question was raised in submissions that the committee has received whether it is really new money or a rebadging of money to show a shift towards prevention. At the moment, that is not clear. As a model, it is certainly a start, but it does not make a decisive shift towards prevention.

People talk about the data and the evidence. There are actually massive amounts of evidence about the benefits of prevention—and not just for children. I think that the chief medical officer made a very detailed submission to the committee about how important prevention is. However, it is much harder to carry out that sort of activity than it is to treat the outcomes, because we have a society that is based on treating outcomes, rather than on preventing ill health. Such a fundamental shift for the health service and the population that we serve will not be addressed by smaller initiatives.

John Mason: I want to go back to what Catriona Renfrew said about disinvestment, which is a huge area that we have not really got on top of. You suggested that perhaps we could take a bit of money out of police and put it into health, which is perhaps fair. Within health, the obvious example is that we are spending too much on acute hospital services and not enough on prevention. Is the health service able to deal with that itself? Do things have to happen at national level or at council level? Do we just say that some drugs are so expensive that even though they would improve somebody's life, we cannot have them because we want to put the money into young kids?

12:00

Catriona Renfrew: The question is a national political challenge, because the public love their hospitals. We would be quite happy to run one less hospital and spend a lot more money on preventative activities. We would not even necessarily want to spend the money ourselves—it could be spent by local authorities or the third sector, which can be better at delivering things around the prevention agenda.

We are under a lot of pressure to increase the number of people with diabetes who get insulin pumps, which cost more than the current treatment. The actual health gain for those people is limited, and there is a debate about whether it improves their quality of life, but it is also almost the furthest thing from prevention that you could get. What will prevent diabetes is our addressing all the issues about obesity, ill health, lack of physical activity and so on. However, there is enormous pressure on us to increase our spending at that far end of the treatment spectrum rather than to work with local authorities to encourage people to take exercise and tackle the issues that contribute to an obesogenic environment. There is enormous political and public pressure on the health service to focus on individual treatment and not to focus on intergenerational change around people's health behaviours. That is difficult to address.

Members will all have asked questions in Parliament about why your local health board is not providing a certain drug or a certain treatment. Every time that becomes an issue, there is an opportunity cost for other ways of spending the health budget—not necessarily on the NHS but perhaps on other things.

John Mason: So it is a problem with democracy, is it?

Catriona Renfrew: I do not say that it is a problem with democracy, but it is a problem with the public's understanding of what makes a difference to their health. That is where the national leadership comes in. At the end of the day, it is not necessarily expensive treatments in hospital that make the difference but much earlier intervention by the health service and others around prevention.

I do not see it as an issue with democracy. If you want to make the decisive shift that we are talking about, the public need to understand some of the issues better and some of the difficult decisions and choices need to be much more explicit than they are at the moment. I do not think that the point about opportunity cost is at all understood. At a simple level, every extra pound that is spent on high-cost treatment is a pound that

is not spent on providing children's nurseries. That debate is invisible to most people.

John Downie: I echo that point. Instead of trying to outbid one another on things like having 1,000 extra police on the beat, politicians on all sides would be better to focus on trying to get 1,000 extra health and community workers, who would prevent the crimes from happening in the first place. Every politician and every organisation in the public and voluntary sector needs to think differently about how we do things.

I understand the politics and so on, but change is needed in that regard, too. The Home Office recently conducted an analysis of 40 reports into policing in an attempt to discover whether what made a difference, in terms of cutting crime, was the number of police or where the resources are put. It found that what was important was ensuring that the resources were put in the right areas at the right time, and that the perception that all that that approach did was spread crime about was wrong.

The issue relates to the need for the data to be robust, because we need to look at what resources we have and decide what the best outcome would be. More health workers and community workers will provide much better results than 1,000 extra police.

Lorraine Gillies (West Lothian Council): I would only add to what Catriona Renfrew and John Downie have said. The issue for everyone round the table is that not everything can be a priority. Therefore, we must be clear about how we decide what we do, and we have to do that in a collaborative way.

On prevention, we welcome the freedom—if that is the right word—in that regard. However, we have wanted to shift what we do for a long time but we have not had the back-up that would enable us to do that. We are looking for back-up, clarity, joint working and help to break down some of the silos, so that we can get on with what we want to be doing. The Christie report said a lot about negative outcomes. We know that we do some stuff that we do not get very good value from, and we need to tackle that.

We have talked a little bit about disinvestment. At an officer level, we know that we need to do that. However, that is a political hot potato, as nobody wants to have anything in their ward disinvested. We need to think about how we tackle some of that stuff. We do some of the things that we do in terms of youth work or diversionary work on a ward level, but we need to get better at doing it on a prioritised level. We know where the hotspots are and where the children are out doing things that we would rather they did not do, and that is where we need to prioritise our resources.

Locally, we have mechanisms for prioritising our work. However, to return to the issue of national leadership, we need some support in that regard.

The Convener: Lots of people want to contribute now.

Bronwen Cohen: On prioritisation—and possibly the further two points for discussion—I strongly support what Catriona Renfrew said about the need to look at systems change. In this country, we are very good at projects—we probably have the world record in projects—but we are not so good at changing systems.

For me, the priority in the use of resources would be to change the systems. Perhaps there is a challenge for Catriona Renfrew and John Downie as well, on the question of 1,000 officers on the beat or 1,000 health workers. I think that one should look beyond the 1,000 health workers: I believe quite strongly that, in early years, there is a lot that does not necessarily have to be achieved through health, but which relates to health. For example, in considering child obesity, look at the role that services can play; in some countries, universal services that are available for all families play a major role in improving lifestyles and outdoor environments, which can address such issues. Those are ways in which health objectives are delivered, but they do not require 1,000 health workers on the ground.

Catriona Renfrew: I was not bidding for 1,000 health workers; that bid was made on my behalf. I agree with Bronwen Cohen. One transformation would be to spend less on ill health in the health service, and to spend the money on other things, not necessarily in the health service.

John Downie: It should probably be 1,000 prevention workers, rather than health workers.

The Convener: Just you back-pedal, John.

Paul Wheelhouse: I think that we are getting into the right territory now. I would like to get a steer on where we should disinvest from. Unfortunately, Bronwen Cohen spoke before I did, but I noticed, in paragraph 24 of our paper, that Children in Scotland states:

“the Scottish Government should lead in the elimination of wasteful and ineffective services as well as on the adoption of best practice”.

Can we have some examples of services that you think are wasteful and ineffective, so that we can show that leadership in guiding society?

Bronwen Cohen: The obvious example is the separation of education and care in early years.

Also, in the evidence that you took earlier from the Scottish Futures Trust there was brief mention—brief while I was there, at any rate—of the school building programme. We run an

international award looking at the new build that is taking place in Scotland and across the world. One feature that emerged for me was that we are not doing enough in our school building to use the potential that school build has in other areas. For example, is it possible to roll down in terms of age, in order to provide for more pre-school services? We should certainly be looking at rolling out the whole-child approach.

When I travel in Europe, as I do quite a bit, I see that schools are regarded in many countries as a resource. It would be wasteful and ineffective to continue to build schools just as schools. I am not saying that that is all that happens, because there are some good examples of schools having a wider role, but it should be a criterion.

John Pentland: I cannot remember whether this is our second or third evidence session, but today's views, opinions and priorities have not been any different from those that were expressed in the first sessions. We are still hearing a lot about Government leadership, the need for more direction and how we can deliver. We have heard good examples of organisations working together and good examples of politicians not working together; we have also heard about the silo approach. Somewhere down the line, we will have to come up with a preventative model. If everyone here had one opportunity to make a contribution to that model, what would it be?

The Convener: I will allow people to reflect on that and to come in as and when they are ready.

Ron Ashton: Pursuing the disinvestment route is essential and has the most political danger within it, from local and national perspectives. A lot of the information, as you have indicated, is already there at national and local level, through the NHS, through the Office for National Statistics or—dare I say it?—through the national intelligence model, from the policing side.

The information about priorities and where investment is potentially being wasted is already available. However, it will take a large leap of faith to explain to members of the general public, who are interested in themselves and their communities, that we are going to disinvest in certain areas and change our priorities to make that culture shift. We must do that in such a fashion that we do not—I keep coming back to this—set up yet another load of silos. We are incredibly good at changing one silo into another silo. It is about having a national outcome and a local outcome, and how we work back from that.

Alex Johnstone: I am afraid that I was cheekily going to suggest that John Downie was thinking in silos when he was talking about police officers. The idea that we should have 1,000 fewer police officers and 1,000 more health or community

workers is a perfect example of how we should not be thinking. If we are going to have those extra 1,000 police officers, they should be health and community workers too. I see a great benefit in having uniformed social workers on the streets of our towns on a Saturday night. We need to persuade chief constables that they should be doing something else with their resources rather than just traditional policing.

Catriona Renfrew: Part of the problem with using the word “waste” is that it inevitably has a prejudicial feel to it, but certain areas are not as effective as they could be. In the area of criminal justice, we have less crime, more police and more people in prison. How does that add up to an effective system of spending public money?

The model is at least worthy of scrutiny. In England, Ken Clarke tried to raise the issue of the use and efficacy of prison, but that became politically difficult because the public quite like prisons as a concept and do not buy into the idea that people who have done something wrong should have alternatives.

It is not about waste. We need comprehensive scrutiny of our systems for delivering public policy to find out where they are not delivering value. In response to John Pentland’s question about the one preventative measure that we would choose to take, I will choose two—as always, the health service is asking for more.

First, I want us to agree as a country on a set of prevention and early intervention objectives, and then to work our way systematically through the change that will be required to deliver them. I am talking about real hard-edged change rather than just another strategy or policy document, and I believe that such change is possible.

The second element relates to the raft of public health issues around alcohol, obesity and smoking, which attract less attention. Policies such as minimum pricing could be implemented to change the way in which members of the public view and address those issues with regard to their own behaviour. That is linked to poverty. As Bronwen Cohen mentioned, growing inequalities of income are a massive challenge to prevention and early intervention because they have such a corrosive effect on people’s capacity to engage with us.

John Downie: Catriona Renfrew is right to say that we must decide what our priorities are. With regard to Alex Johnstone’s point, the fundamental question is not whether there are 1,000 police or 1,000 health workers, but what we want to achieve in order to effect change and prevent things from happening. We do not have to disinvest, because we are investing in the right areas.

I accept John Pentland’s point: we see silo thinking across local and national Government. One small example came out of the recent consultation on the new mental health strategy. The strategy makes no reference to prevention: it is all about treatment, and it does not mention children, employability, what someone might do after they are treated or what help, support and direction may be available to them. That is key if we are trying to change people’s lives and support them to get back into work, among other things.

To return to Margaret McCulloch’s point, we need an accountable person to drive forward a local prevention agenda. We need to mainstream prevention locally and across national Government. To return to Catriona Renfrew’s point about what we are trying to achieve and the objectives that we are setting, she is right to say that we do not need a strategy—we need a how-to document. As many people have said, there are great examples of the public sector working in partnership with the voluntary sector in small pockets throughout Scotland.

12:15

In the convener’s constituency, Alzheimer Scotland is working on a project that offers a package that is different from residential care. Michael Matheson has decided that the Government will fund that scheme nationally, as Alzheimer Scotland trying to get 32 local authorities and 40 community health partnerships to buy into the scheme is just not the right thing to do. That is an example of an approach that has been piloted and which works; the issue is that that does not always happen. We can take good ideas from things that have been done in Glasgow, West Lothian or other areas and see whether they could be done on a national level or taken to other areas and refined locally.

My final point is that we need to involve people and communities much more. There are hard political choices to be made, but if we are better at involving and engaging people in the co-production, as I said earlier, they will be willing to share the risk and make those hard choices as long as they have a say and some power in that. We need to change our approach to engaging people on the preventative spend agenda. The public need to face some of the hard choices. I think that people are generally sensible and can do that—we underestimate their ability to make those decisions.

The Convener: We will come on to collaborative working.

John Mason: A lot of these subjects overlap with one another.

The Convener: Of course—that is the idea.

John Mason: The word “silos” is repeatedly used in a negative sense, although farmers think that silos are quite a good thing—is that correct, Paul?

Paul Wheelhouse: That is correct.

John Mason: The advantage of a silo to an accountant is that the money goes in, the money comes out and it can all be measured—it is very neat and tidy. Does the police board have the authority to write a cheque and give it to the health board for early years intervention? I suspect that it does not at the moment. Catriona Renfrew made the point that we need to be hard headed in setting our priorities and then work it out in practice. There are a lot of practical issues to address and I am not sure that I see a way through them other than in taking a very centralist approach.

Ron Ashton: What you suggest is interesting. If you look at the way in which the community safety partnerships and the community planning partnerships are operating, you will see that we are sending cheques to one another. The difficulty usually lies in persuading someone to sign the cheques. We work among ourselves towards a set of joint outcomes, but that activity takes place very much at the edge. The issue is how we can translate that activity into the mainstream.

The Convener: That is a good point at which to move to collaborative working. West Lothian Council’s written submission talks quite a lot about that. It states:

“we need more integrated management structures and more integrated joint outcomes. If we get that part right then there is a sense that the budget will follow. The Scottish Government may want to consider how it would scrutinise that joint spend on outcomes. If we achieve clarity and agreement of outcomes we want to achieve locally and understand how collaboratively we want to work together to achieve this then we can have confidence that funding will achieve the outcomes we have prioritised.”

I ask Lorraine Gillies to kick off the next section of questioning. Can you expand on what your written submission says on collaborative working?

Lorraine Gillies: The submission also touches on pooled budgets, although that is perhaps jumping the gun a little bit. When I pulled together the written submission, I had a lot of discussions with a lot of people about how close we are to pooling our budgets. To be able to pool our budgets, we need a different level of collaborative working from that which we currently have, and I am not sure that, even in my local authority area, we have consensus with our partners on whether that is the right thing to do.

Everyone around the table will agree that we need to get much better at working together. Part and parcel of that is getting past the historical

culture of delivering services on our own, in isolation and on an outputs basis, not really understanding the power that we have collectively to make things different for the people for whom we are responsible. Like others, we are concerned at the moment with integrating our health and social care management. That is a real, live issue for us. We have a very good community health and care partnership in West Lothian—we have come a long way with that and we are working hard on it—but we still do not have a strong sense collectively of where our integrated outcomes are. We need some support with that. We must be able to look to the national Government for examples of where integrated structures are creating an outcomes-based approach or making that work a little bit better.

We have talked an awful lot about collaborative working and we see it as absolutely critical. In West Lothian, there are lots of examples of where we are not working collaboratively but are creating negative outcomes and not getting to grips with the tasks that we need to do. I do not know that what I am saying is particularly unusual in comparison with what anyone else would say. We have not cracked it, but there is a consensus that we need to work much harder on collaborative working and using our community planning partnership more effectively. We are about to do a big piece of work to review our CPP, which is about starting with a blank sheet of paper. There are opportunities to bring prevention and early intervention into our work to a greater extent, but we will have to do a lot of work with our partners on that.

Catriona Renfrew: I will pick up on John Mason’s point and some of what Lorraine Gillies said. Under the current governance arrangements, the breaking down of silos at local level is enormously difficult because there are entirely separate accountability arrangements for the NHS, for the police, for the local criminal justice system and for the council.

One point that is rightly picked up in the evidence is the incredibly soft nature of the accountability of CPPs and the single outcome agreement process. I have attended CPP meetings—we work with a number of local authorities, so I am not selling any secrets by saying this—at which we have looked at a report and had a Scottish Government representative say, “That is a really good report about the SOA,” despite the fact that we have failed to meet 90 per cent of the outcomes. That has been less of an issue than the fact that we have had a good report and a story to tell about why we failed. If silos are to be broken down at local level, there has to be an extremely hard-edged set of outcomes that must be delivered collectively and individually because, without that, there is no incentive.

All our budgets are under pressure and we are all under pressure on the different things that we deliver. The chief constable has a series of pressures that come down his line, we have a series of pressures that come down our line and the council chief exec has a series of pressures that come down their line. It is not through badness that we do not want to share, but we respond to the governance system under which we operate and the pressures that it generates. At the moment, that does not require much horizontal activity.

Bronwen Cohen: This is partly an observation. The committee has called it collaborative working. Lorraine Gillies quite rightly talked about integration before moving on to the broader, softer area of collaboration. On the committee's task of preventative spend, it is important to be clear about that spectrum, which extends from awareness and collaboration to integration, because the dividend from integration is much greater than the dividend from collaboration. If it is possible to look at the services that can encompass more than one function, that brings incredible benefits and is highly preventative.

In looking at what integration means at local level and where national leadership should be given, workforce is an important issue. We have divided workforces. We have a tendency at a local level to realise that there is an important new area of activity, so we invent new job roles. We have a proliferation of job roles that encompass parenting to community work, but which, in workforce terms, we should be able to bring together. In the children's sector workforce, the softer area is having common core skills. A lot of very good work has been done to ensure that everyone who works with children in initial education has a common core skills element. That is the easy part; the harder part comes when it is necessary to bring professions together.

Paul Wheelhouse: The Outer Hebrides CPP is not represented here today, but to what extent do the panellists agree with the statement in paragraph 41 of our paper that, with regard to budgets, protectionism

"is more prevalent in the current tight spending period"?

What impact does that have on the ability of partners to collaborate? When there is a tight financial settlement, there are internal pressures on budgets to protect nursing numbers and so on. Culturally, is that having a big impact on attempts to deliver preventative spend?

The Convener: I will let Catriona Renfrew deal with that.

Catriona Renfrew: I would make two points. The answer is yes, absolutely. The more financial pressure there is, the more difficult it is to shift

money around one's own organisation, let alone across organisations.

Secondly, the point that the submissions pick up about people refocusing on statutory duties is extremely important. Prevention does not really figure in the responsibilities of local authorities or of the NHS. We are very clear that if someone rolls up at A and E we have to treat them—that is our job—but preventing them from having to come to A and E in the first place is much less obviously part of our core responsibilities, and that is a major issue.

John Downie: That is the key to it. Local authorities' interests and those of the NHS are not aligned. As Catriona Renfrew said, local authorities are spending on prevention and the beneficiary further down the line may be the NHS. As Lorraine Gillies said, we need to align those interests much more clearly. We need to bite the bullet and ask ourselves whether we have pilot areas. I do not know whether you would call them total place pilots in the aligned budget, but let us go ahead and get something out.

Work is being done in various areas, but we need to ask ourselves what we can we do to measure progress to see whether alignment actually works and then go forward on it. What lessons can we learn about alignment in quite a short timescale? We have examples in which people have made progress on it; other areas are not touching it. We need to bite the bullet and ask whether we can do it in certain areas.

At the moment, different local authority areas within, say, a health board area are spending the change fund in different ways, for example in relation to delayed discharge. That spending should be aligned because delayed discharge is a problem for the whole area, not just for one local authority. That all needs to be figured out, perhaps with the community planning partnership. Much stronger outcomes are needed. What happens if local authorities do not meet those outcomes? That is where the leadership of the Scottish Government comes in, because the Government has to come down on local authorities.

Catriona Renfrew: I am a huge supporter of the integration of services, which we have managed in some places in our board area.

This agenda is at risk of being something of a distraction, particularly in early intervention. For example, things are more likely to be done to keep older people out of hospital if there is a shared social work and NHS budget because the incentives change fundamentally. That is also true of children, with regard to health and social work. However, unless the whole of the public sector is integrated, integration will not solve this particular problem. It solves the health service, local

government and social care end of the problem but it is nowhere near sufficient to achieve a focus on prevention and is perhaps at risk of being a distraction from some of the other four areas that you identified as critical to moving the agenda forward.

Forgive me, but I have to be back in Glasgow at 2 o'clock.

The Convener: Thank you for your participation.

We move on to the financial challenges; I am sure that everyone appreciates their importance. Angus CPP wondered whether any bridging funding would be made available to accommodate a big shift to preventive spend.

Ron Ashton: That follows on from the point that the discussion has naturally reached. We are in a time of financial constraint and the easiest thing for people to do is to start cutting activity at the edges and going back to the core statutory work that they do. A lot of what is at the edges is the collaborative working that we are discussing, especially in relation to the third sector and to things that are not on the statutory agenda. People shrink back at a time like this, but it is the most dangerous time to do that, especially as we are trying to shift from meeting statutory requirements, which tend to be reactive and responsive, to preventing something from happening in the first place, which everybody, around this table and elsewhere, agrees is the best and most cost-effective thing to do.

Examples from the community safety side show that dealing with the aftermath of something is 10 or 20 times more expensive than dealing with it in the first place, before it gets to the aftermath. Making that quantum shift is incredibly difficult because people expect reaction. We are set statutory targets that affect what services we will deliver in response to something.

I keep coming back to the cultural shift and how we think about that. Hard-edged outcomes are incredibly important in effecting cultural shift, and so is funding, as I said earlier, that is provided to start the process off and get people moving in the right direction. That has an incredible benefit in bringing people, groupings of services and the various sectors together to discuss how they can meet what will become a hard-edged outcome. That is absolutely correct. There is then a sense of responsibility for the hard-edged outcomes, in that if you do not get it right, someone, someplace will have to take action to ensure that you do get it right. It is about drip-feeding relatively small amounts of finance into the system to start that culture change.

12:30

The community planning partnership model, from my perspective, works pretty well and has cut a lot of duplication. Health, police, fire and local authorities were all doing the same things, particularly for youth intervention programmes and so on, and were developing their programmes individually and financing them from various bits of money off the side and so on because they were good things to do. Working in partnership allows them to start to bring that work together and focus it where it is needed. It makes the organisations work together. Our plea is that although we understand that financing is limited, we need it effectively to act as a catalyst to start moving such work forward.

John Mason: I will rephrase my question, as we are on to finance now. To follow on from that point, one pot of new money has been the change fund, which John Downie mentioned earlier. You seemed to suggest that that money was perhaps not going where it should have gone or where it might have been most effective. Was that because local authorities, facing budget cuts, saw it as a way of supporting their workers and staff and, presumably, of producing the right outcome, although perhaps without using the best supplier?

John Downie: Yes. I think in some areas we have seen the change fund used as a different way of funding existing services. That is not what it was intended for, so I slightly disagree with Catriona Renfrew on that. We have had the first year of the reshaping care for older people programme, and, as Alex Neil said, let us learn the lesson from that and consider the focus. If such programmes are to act as a catalyst for prevention and better outcomes, let us learn the lessons and ensure that we are directing that money in the right way. The allocation for the change fund for health is £80 million a year out of a £4 billion budget and that is quite a small amount of money. We know that the Government has committed to trying to realign other budgets in other areas. For example, the third sector division has a £1 million budget for cutting reoffending and we are told that the justice budget will also include money, although we do not know the exact amount, to focus on prevention to cut reoffending, which is obviously a massive issue.

John Mason: Has the change fund been effective to some extent?

John Downie: It has, but we are saying that we should learn the lessons from it. In some areas, it is not effective. I have referred to Glasgow and our response to the Health and Sport Committee on this matter and to the Government—

John Mason: I am sorry, but I want to pin you down on the Glasgow thing. Are you saying that

the money was not used for the right purpose or that the wrong people used the money?

John Downie: It was not used for the right purpose. Money was spent on buying in health and social care services and allocated to residential care. Our information is that on delayed discharge, for example, £200,000 was spent on employing three social workers to get people out of hospital. The problem was that that decision affected only people from Glasgow. If two people were in the Glasgow royal infirmary, one from Glasgow and one from Paisley, the Glasgow change fund people would not help the person from Paisley get out of hospital quickly unless the local authority there was using its change fund in the same way. There was no integration of thinking. Our understanding of the situation in Glasgow is that £200,000 has been spent on the third sector, which is seen as the main plank of trying to deliver some of these goals. That is perhaps the most extreme example. As I said, there are other, good examples of things that are happening.

We should learn the lessons from such cases. We believe that the cabinet secretary's ministerial strategic group for health wants to sign off the guidance on the change funds and that that is all it wants to do in that regard. Should the change fund plans be signed off for a short time in order to set people in the right direction? We need to provide that direction and control. Perhaps for the first year of operation, the group should see how the plans are working, measure them and be accountable for them. That might be a step too far, but we need to debate how we can ensure that as the change funds for prevention are driven forward they are spent at a local level on prevention.

Ron Ashton: I agree with that. I think it is a side effect of how the money was put into the system, to be honest. It was put in alongside existing silos, structures and budgets and—let us be perfectly honest—people never like to return money. It is fundamental that budgets should be designed around outcomes for individuals and communities and not departments and organisations. We need to use the end-product and to work back from it. There is a real opportunity for the public and voluntary sectors and—dare I say it—the private sector to get together and ask how they can work in a better fashion to achieve an outcome for their communities.

Bronwen Cohen: Change funds are always a challenge because it is always difficult to achieve change. The evidence goes back further than the current change funds. It is worth looking at the changing children's services fund, for example. The evidence shows that some of the money went to existing services and did not achieve change, but some significant systems changes did come

from the fund. As I said earlier, the important thing is to achieve change in systems rather than just change through projects, and that requires some leadership at a local level. We cannot say that it is up to local authorities to take a lead on these things and then say that we are going to detail what they have to do to such an extent that we lose that. I therefore disagree with John Downie.

John Downie: That is all right.

Lorraine Gillies: This is not necessarily a word of caution, but we should remember that the people who are sitting round the table today get it. We get prevention, early intervention, outcomes and all that, but a huge number of people do not, and it is a big shift. I tend to forget that. I was talking to someone the other day who said to me, "You're steeped in this, but the rest of us aren't." That is an issue. When I gave evidence to a different committee in this building last week, I was asked, "What is prevention anyway? What is the definition?"

We might need to take a step back, because there will be different local responses from different local authorities according to the extent to which they get it and understand the point of the shift. I return to the point about leadership, because it is important that we folks who get it make the case both round our local tables and to people in the street. If we were to disinvest in libraries, for example—I am not saying that we are going to do that, but suppose that we were—people in the street would want to know why. That is a real issue. If we have decided locally that we will get a better impact for our spending by investing in this and not that, we need some help to define why we are doing it, what prevention is and what result we will get.

Another issue that we are grappling with is that, if we make changes now, doing more prevention, intervening and taking the early years route, we will probably not see a return until five, 10 or 15 years down the line. Locally, we have a response to that. We have a set of short, medium and long-term outcomes, so we believe that we can start to measure the returns, but that is a real issue. If we start working with our most disadvantaged children and families in a different way, we can expect that, five, 10 or 15 years down the line those children will not be offending as much, but we will not be able to evidence that for a while.

The Convener: The evidence that the committee has received suggests that that is not necessarily the case and that some of the savings will be immediate.

Lorraine Gillies: Some of them.

The Convener: I will bring in Ron Ashton on this topic, then we will move on to the final section. As always, time is against us. On the national

performance framework and measuring outcomes, Angus CPP states:

"It will be important for the Scottish Government to review its focus on purely input targets that they wish to achieve through local government and through the wider public sector that are resource intensive."

Ron Ashton should feel free to comment on the previous section but also to move on to outcomes.

Ron Ashton: I agree that everyone round the table is switched on to the agenda and it is about getting the message across and getting people to change habits. I often describe the change as follows. Senior management sit round tables and have love-ins at meetings. They are all going to work with each other and everything is wonderful. The poor infantry down at the bottom have to go out and get on with it, so they work together and they achieve. The people who sit in the middle, especially the budget holders, sit grasping the budget and saying, "We're not giving up. This is what we do and this is how we move it forward." Preventative spending represents a fundamental change in how we approach outcomes and how we measure back from the outcomes to start changing the processes and systems to make them more adaptive.

I believe that Angus community planning partnership works extremely well. We have a good partnership with all the local partners including those in the voluntary sector. They are integral to our work and to the processes that we carry through. However, everyone suffers from a multitude and mass of management information, which is almost overwhelming.

Most of that information is based around counting things as opposed to trying to work out the outcomes that people are trying to achieve. Libraries are a prime example. I have scars all over my back from the closure of libraries. However, how many people come through their doors or how many books are borrowed are mentioned, not literacy, who is involved—children, for example—or whether people are being involved in a wider structure. Particular things are counted. They sound good in a business process context, but they tell us nothing about actual outputs or outcomes.

My plea is that people sit down and ask how we can change the direction. In the recent past, Audit Scotland has done a lot of good work in going down the how-was-it-for-you route. That route is mainly used now for things such as community safety. People are asked how the community feels about things. Not to put too fine a point on it, bureaucrats have not been brilliant in the past at going out and speaking to people in communities. It is about how we can change the emphasis and get away from the smart, sharp figures that look really good if they are compared with other figures,

but tell people nothing about what they are trying to achieve.

John Mason: I will be a wee bit of a devil's advocate and go to the extreme. If we are talking about literacy, say, should we simply give money to the council or whoever, go away for five years, then come back and ask whether literacy has improved? If we are trying to keep young people out of prison, it will probably be 15 years before we see a return. Do we not have to measure things along the way, as well as the big outcomes?

Ron Ashton: Yes, but the milestones to the outcomes can be people centred; they do not necessarily have to be statistic centred. We have a local multi-agency resource team that works with education and intervenes through education with the voluntary sector, our leisure services and others to work with children at a very early age. We can get quite a quick success rating back from that, based on individuals, on what is actually happening, and on the final statistics that go into the education side. There are ways of doing things that are not beyond the wit of man.

Paul Wheelhouse: My question is about the evidence base. If we are trying to encourage a change in culture and in the discourse, we should look at not only the short-term gains. It is clear that there is a lot of concern about that. We should take on board what the convener said. Some investments might result in short-term returns anyway, but we must change the nature of the discourse and consider long-term benefits.

I wonder about the role of the community planning partnerships as gatherers of evidence. Are you already involved in gathering evidence from projects? How is information gathered? Who receives it? Who collates it? Is there a process for identifying impacts that we can play back?

Ron Ashton: The process links through the single outcome agreements and back into the national priorities. If we go below the waterline of the national priorities, we will find a mass of output and outcome-based information. It is a matter of developing and working on that information. I think that all the public sector organisations have that. It is about bringing that information together and making it more meaningful. It is amazing how incredibly similar the questions are that different parts of the community planning partnership are asked by different Government departments, dare I say. They can be brought together and related. I notice that Bronwen Cohen is smiling.

John Downie: We have to find a much better way of including prevention and focusing on outcomes in the national performance framework. I am sure that there is a role for Audit Scotland in readjusting its work to talk to people in

communities and in measuring the prevention effect. A few weeks ago, I heard Robert Black speaking at a conference. He said that he was surprised by how much duff information Audit Scotland receives. As Bronwen Cohen said, we need to get back better statistics from local authorities.

The challenge with the prevention agenda seems immense at the moment. John Mason pointed out a number of practical issues, but we need to accept that we are in a 25-year redesign cycle and that we need to consider where we can get short-term wins. There are issues that we need to address, such as cutting reoffending, the demographic challenge with older people, and, obviously, the early years. Issues relating to young children in particular need to be addressed. We know what areas we need to focus on initially and we would like to do a lot more, but we have particular challenges at the moment.

Earlier, we talked about prioritising resources. The key is the outcomes and areas that we will work on. We must accept that we will get to other areas later. The political challenge for all the parties and the Government is in saying, "This is the focus. This is what we are going to try to do to make your lives better."

Great opportunities are coming up. The community empowerment bill, for example, can do a lot to enable individuals and communities to change things. If we get that right, it can help the prevention agenda and the regeneration agenda. We have opportunities, but we need a clear plan. People have said that the Scottish Government is still working in silos a bit. Have the people involved with the early years fund for children been talking to officials who have been managing the reshaping of care for older people? Perhaps, but probably not. We need to learn lessons there.

The Convener: John Downie kicked off the session, and he has finished it, as no one else wants to speak. I thank everyone for coming to the meeting and for their active participation in it.

At the start of the meeting, the committee agreed to take item 4 in private. We will therefore now move into private session to discuss the evidence that the committee has heard today.

12:46

Meeting continued in private until 12:58.

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