



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

PUBLIC AUDIT COMMITTEE

Wednesday 14 December 2011

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PUBLIC AUDIT COMMITTEE

9th Meeting 2011, Session 4

CONVENER

*Hugh Henry (Renfrewshire South) (Lab)

DEPUTY CONVENER

*Mary Scanlon (Highlands and Islands) (Con)

COMMITTEE MEMBERS

*George Adam (Paisley) (SNP)

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

Mark McDonald (North East Scotland) (SNP)

Tavish Scott (Shetland Islands) (LD)

*Drew Smith (Glasgow) (Lab)

*Humza Yousaf (Glasgow) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Douglas Black (Audit Scotland)

Mr Robert Black (Auditor General for Scotland)

Barbara Hurst (Audit Scotland)

Bob Leishman (Audit Scotland)

Liam McArthur (Orkney Islands) (LD) (Committee Substitute)

Gil Paterson (Clydebank and Milngavie) (SNP) (Committee Substitute)

Mark Roberts (Audit Scotland)

CLERK TO THE COMMITTEE

Jane Williams

LOCATION

Committee Room 5

Scottish Parliament

Public Audit Committee

Wednesday 14 December 2011

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

Decision on Taking Business in Private

The Convener (Hugh Henry): Good morning. I welcome everyone to the ninth meeting in session 4 of the Public Audit Committee. I ask everyone to ensure that all electronic devices are switched off.

We have received apologies this morning from Mark McDonald, and Gil Paterson is attending the committee in his place. We have also received apologies from Tavish Scott; I believe that Liam McArthur may be joining us at some point.

Under item 1 on our agenda, I ask committee members whether they agree that we should take in private items 6 and 7, and consider our draft report on “An overview of Scotland’s criminal justice system” also in private at a future meeting. Are members agreed?

Members *indicated agreement.*

Section 23 Report

“Reducing Scottish greenhouse gas emissions”

10:00

The Convener: Item 2 on our agenda is a section 23 report, “Reducing Scottish greenhouse gas emissions”. The report has already been the subject of some publicity and comment, and we look forward to hearing from the Auditor General for Scotland on the detail of the report. I also welcome Barbara Hurst, Douglas Black and Mark Roberts.

Mr Robert Black (Auditor General for Scotland): Good morning, convener. You are right to suggest that the report attracted some interest in the media. It was published back on 8 December and, to set the scene, I will make a few comments about the context. I will then invite Barbara Hurst to outline the report’s findings and recommendations.

I need hardly tell the committee that, in 2009, the Scottish Parliament unanimously passed the Climate Change (Scotland) Bill. The resultant act set some ambitious and demanding targets for reducing greenhouse gas emissions over the next four decades. In passing the bill, the Parliament placed Scotland at the forefront of countries in this area of policy, and it is important to acknowledge that the targets that we have set in Scotland are more ambitious than the corresponding targets in the United Kingdom and the European Union. There is absolutely nothing wrong with setting ambitious targets; but, by definition, ambitious targets might be difficult to achieve. Much of the report concerns the risks and challenges in getting from where we are now to where the targets require us to be.

Committee members might recall my report earlier this year into Scotland’s public finances. One of the many themes that we touched on was that reducing emissions will have significant financial implications at a time when public finances are under strain and are faced by no lack of competing priorities. In addition, whereas the costs will be met up front, the benefits may not be realised for decades to come. It is challenging to manage progress in this area, and the Scottish Government is by no means alone in having to confront such issues.

I will give committee members two examples of the practical challenges. First, it takes quite a long time to get data on emissions in order to determine whether or not a policy is actually having an impact. Secondly, difficulties are associated with measuring progress on emissions

that are linked to imports—an area in which the Scottish Parliament set targets.

Scotland has set ambitious targets, and some real challenges lie ahead. The purpose of the report that we are discussing today was to review where we are now and to review the risks and challenges for the next few years up to the target date. I now invite Barbara Hurst to say a bit more about the content of the report.

Barbara Hurst (Audit Scotland): The report covers four key areas: the progress that has been made in reducing emissions since 1990; plans for meeting the 2020 target; the potential cost of implementing the plans; and the Government's management arrangements for ensuring progress. To date, Scotland has made good progress in cutting its emissions, with a 28 per cent reduction between 1990 and 2009—the latest year for which data is available. Emissions will have to continue to fall at a similar rate—by roughly one per cent a year—if the 2020 target is to be met. In 2009, just over half the emissions were caused by the production and supply of energy and by transport.

Earlier this year the Government published its plans to meet the targets. They depend on our continuing with some existing policies and on our implementing a range of new policies. Appendix 3 of the report contains a summary of all those policies.

As the Auditor General mentioned, implementation of the plans may well be challenging, not least because only a third of the planned emissions reductions are to come from areas solely under the Scottish Government's control. Action is also required by the EU and the UK Government and, of course, the public will have an important role to play.

The most critical condition for meeting the Scottish targets is that the EU increases its 2020 target for reducing emissions relating to the production and supply of energy from 20 to 30 per cent. That is so important because those emissions account for more than a quarter of all the planned reductions in Scottish emissions. If the EU target remains at its current level—20 per cent—there is a risk that the Government will fall just short of the 2020 target, even if all its proposed new policies are implemented. Exhibit 4 on page 6 shows the impact of whether the EU target is set at 20 per cent or 30 per cent. Recent developments suggest that the EU is unlikely to change the target. That means that the Scottish Government might well need to reassess its plans, which it is very conscious of.

Transport-related emissions are the second highest source of greenhouse gas emissions in Scotland and could pose the biggest challenge. Emissions from transport is the one area in which

emissions are continuing to rise, and that trend might be difficult to reverse. Reductions in emissions from transport, more than from any other source, depend on the implementation of proposed new policies—13 of them in total. Some of the assumptions might well appear optimistic. For example, there is to be a tenfold increase in the proportion of journeys made by bicycle by 2020.

Moving on to the costs of reducing greenhouse gas emissions, using the Scottish Government's data we estimate that the plans could cost Scotland as a whole about £10 billion to £11 billion by the end of 2020 at current prices. That estimate spans the cost to the public and the public sector and some of the costs that will be borne by the private sector, but it is not yet clear what proportion of the cost will fall on any one of those groups. The overall estimate that we have come up with is broadly in accordance with advice provided to the Government by the independent Committee on Climate Change.

We examined the cost of making certain percentage reductions. We found that three quarters of the planned emissions reductions may be achievable for half of the total projected cost, so if the EU target remains at its current level of 20 per cent, Scottish emissions could be reduced by a further 10 per cent beyond 2009 levels to 38 per cent overall—I am sorry for throwing all these percentages at you, but it is that sort of report. That could be achieved by continuing with existing policies at an estimated cost of from £4.3 billion to £5.4 billion. Emissions could be reduced by an additional 3 per cent to 41 per cent if all the proposed new policies were implemented. That could cost an estimated additional £5.3 billion and still leave Scotland just short of the 42 per cent target. The target is therefore very challenging.

Finally, as the Auditor General said, a key difficulty in managing and assessing progress is the two-year time gap to get UK and Scottish emissions data. The Scottish Government is developing its own systems to fill that gap, but the problem is shared with all the other UK Administrations.

Overall, as some of the figures demonstrate, the Scottish Government has made a promising start but there is still a long way to go. The Government's plans will, as it acknowledges, definitely need further refinement. The report makes seven recommendations for improvement, which are listed on page 12.

That is a very quick but slightly technical explanation of what is in the report. We are happy to answer any questions.

The Convener: Thank you very much. The report may be technical and contain many figures,

but the issue is hugely significant. You say that transport poses the biggest challenge to achieving the target and that emissions from transport continue to rise. What will rising bus and rail fares mean for attempts to reach the target?

Barbara Hurst: This is slightly speculative. Investing in some of those areas would reduce the overall emissions for the same number of people travelling and would be a significant step, but I would not like to hazard a guess as to what the real impact would be.

The Convener: Has any work been done on that? If transport poses the biggest problem, we should be thinking about how to make it easier for people to use public transport. In my area—it will be the same for other members—there are persistent complaints about the regularity and reliability of bus services and issues with the affordability of bus and train services on some routes. If we put more barriers between people and public transport, it will encourage them to use private transport.

Mark Roberts (Audit Scotland): We are not aware of any research that has examined those barriers or the number of people who are moving away from private transport on to public transport.

The Convener: If, as Barbara Hurst has said, transport poses the biggest challenge, should that not be examined?

Mr Robert Black: That is a good question, which I suggest the Scottish Government would be best placed to answer. We do not have the information.

Mary Scanlon (Highlands and Islands) (Con): I was a bit shocked to read in paragraph 4 that

“Scotland ... produces roughly twice the global average level of emissions for each person”.

Why are we so bad?

Barbara Hurst: I suspect that we are no worse than any of the other developed countries. I think that it is a feature of those of us in the developed economies using a lot more.

Mary Scanlon: My second question concerns the management arrangements for ensuring progress, particularly the public engagement strategy that is required under the Climate Change (Scotland) Act 2009 and the national performance framework.

I understand that the public engagement strategy is essential. You state in paragraph 37 that

“there is limited connection between”

the Scottish Government and other organisations, and that

“there is no system in place”

for the Scottish Government to report on the public engagement strategy.

In paragraph 55, on the national performance framework, you state that

“The scorecards have not been made publicly available and this reduces the transparency of the Scottish Government’s performance”.

How can we track what happens between now and 2020 when we seem to have very limited information, if any?

Mr Robert Black: That is another very important set of issues, and questions to the Scottish Government on it might be appropriate.

One of the recommendations at the end of the report concerns the importance of the Scottish Government aligning its public engagement policies and bringing them together effectively. We also encourage it to finalise the performance framework scorecards and publish them regularly. However, only the Scottish Government could give you an indication of its firm intentions in that regard.

Mary Scanlon: I think that you said that the Scottish Government is responsible for 30 per cent of the emissions reduction target, so we will not achieve it unless there is engagement with other parts of the public sector and the private sector. Is that just not being reported on or is it not happening?

Mark Roberts: The public engagement strategy had to be published by 31 December last year, as required by the 2009 act. That therefore happened slightly before the Government published its plans to reduce its emissions in March this year. We observed that there was little connection between the two. The public engagement strategy—which, as you say, is going to be critical if the aims are to be achieved—was largely produced independently and in isolation from the plans, in terms of the tonnages of emissions to be reduced.

10:15

Emissions will be reported on annually. However, as Barbara Hurst suggested in her introduction, a difficulty is that it takes nearly two years to get data on emissions that would allow you to know how well Scotland was performing in reducing its emissions. The scorecards are designed to give more immediate management information, so that it is known whether the direction of travel is right.

Mary Scanlon: What did you say was published in March? Your report says that no system is in place.

Mark Roberts: The publication in March was the report on policies and proposals, which set out

the whole group of 35 plans for reducing emissions. What is not clear is how progress against the 61 actions in the public engagement strategy will be reported.

Mary Scanlon: So, basically, we still do not have a coherent public engagement strategy that we can check and which includes all the sectors that you mention in paragraph 37.

Mr Robert Black: It is important to acknowledge that the bill became an act in 2009, which is not that long ago. We understand that the area is work in progress.

Mary Scanlon: Thank you.

Humza Yousaf (Glasgow) (SNP): Good morning, and thank you for the report. You will not be unaware of the Stern review argument—I believe that it is even touched on in the report—that the cost of taking early action is significantly less, in the long term, than the cost of taking no action. Does Audit Scotland plan to do any follow-up work on what the potential benefits may be? We hear figures and estimates all the time—for example, £12 billion by 2015-16, and the potential for 130 jobs. Should the Scottish Government be producing a report on that?

Barbara Hurst: That would be a really useful exercise—done, probably, by the Government in the first instance. Hearts and minds have to be won over; we have to gain acknowledgement that this issue is serious. In the report, we mention the percentage of people who still do not regard the issue as very relevant to their lives or to the future. I heard Lord Stern being interviewed last week, and he said that some of the costs should not be thought of as costs but as investment in the future. It is an interesting debate.

Humza Yousaf: Many issues arise to do with a low-carbon economy. For example, reduced air pollution can help to tackle certain health problems. That issue is perhaps not tackled by the report—although I understand that it was not part of the remit. Do you see merit in considering it?

Mr Robert Black: In paragraph 48 of the report, we briefly mention the wider benefits of reducing emissions. We also mention that some of the initiatives—for example, that on improving energy efficiency in buildings—will contribute towards cost-reduction efficiency targets.

The report offers a high-level overview. We often use such reports as a means of taking stock, and then reflect on what further work we might do in future. However, as Barbara Hurst says, we think that the Scottish Government should be taking the lead in reporting on many of these issues.

Humza Yousaf: Because you gave a speculative answer earlier—

Barbara Hurst: I tried to avoid the question.

Humza Yousaf: I will tempt you to speculate once again. Paragraph 23 in the report is beneath the heading:

“The Scottish Government’s plans rely on action by the European Union”.

You explained that point during your opening remarks. With all the talk during the past week of isolation in Europe, is Scotland’s job now more difficult in influencing European policy?

Barbara Hurst: I am going to resist speculating on that point.

Mr Robert Black: All the indications are that the European Union has no immediate intention of raising the carbon targets. In itself, that will have implications for the achievability of targets here. I ask Mark Roberts whether that is correct, and whether he would like to say something about what has been happening during the past couple of weeks.

Mark Roberts: That is absolutely right. Members will be aware that the outcome of the recent conference in Durban was that it put in place a commitment to reach an agreement by 2015, which would take effect from 2020, so I hope that something will be in place by 2020. However, by that point Scotland will have to have reduced its emissions by 42 per cent.

Humza Yousaf: Two of the recommendations on page 12 of the report are linked to Europe. The first states that the Scottish Government should

“review the risks and mitigating actions associated with the EU maintaining its 2020 target at 20 per cent”.

The second states that it should

“continue to work with the UK and the other devolved administrations”.

Although work in this area with Europe is not devolved, the Scottish Government would still have to work closely with Europe. Is that task not incredibly difficult? Is it not hard to plough ahead, especially in the light of recent events?

Mr Robert Black: I am not sure that we are in a position to comment on that, because we are not close enough to the organisations involved.

Humza Yousaf: You cannot say that I did not try—God loves a trier.

Drew Smith (Glasgow) (Lab): The third bullet point in paragraph 29 refers to

“optimistic assumptions contained within the”

Government’s plans. It highlights the assumptions that

“there will be a tenfold increase in the proportion of journeys made by bicycle”

and that

"there will be 100 per cent compliance with the 70 miles per hour speed limit on Scottish motorways."

Is the phrase "optimistic assumptions" a euphemism for pie in the sky?

Mr Robert Black: It is the very typical careful language that we try to use in our reports at all times.

Drew Smith: Okay. Thank you.

My next question relates to Humza Yousaf's point. Transport is the second biggest area in which there could be reductions; the biggest one is energy production and supply. Citigroup reported that, because of the balance of cost in relation to renewables being shared by both suppliers and consumers, if the Scottish energy market was to be separated from the rest of the UK energy market, the cost for Scotland would be disproportionate and there could be a cost of up to £2 billion for business to make up the shortfall in Scotland. Did you see any evidence that the Scottish Government was doing modelling work on that? The report refers to various potential future policies that might have an impact. Was that an issue that you considered?

Mark Roberts: We had no evidence that the Government was doing any work on that matter, but it was not an issue that we specifically focused on.

Gil Paterson (Clydebank and Milngavie) (SNP) (Committee Substitute): I come back to transport. Paragraph 27 of the report highlights international shipping and international aviation. It states that together those account

"for six per cent of all"

emissions within the target. Do you have any indication of the emissions from domestic flights to and from Scotland? Have you taken those emissions into consideration?

Douglas Black (Audit Scotland): All aviation is reflected in the annual data on emissions, which is reported two years after the event. The report does not attempt any apportionment between domestic and international flights.

Gil Paterson: Does the 6 per cent figure include domestic flights or is there a separate figure? I want to be clear about that before I ask my next question.

Mark Roberts: Scotland is different from the rest of the UK as its figures include international aviation and shipping, so there is a separate accounting line for that for the purposes of the Scottish emissions account.

Mr Robert Black: I think that it is fair to say that the factors governing the accounting of internal

flights within Scotland are determined by the framework set by Europe.

Gil Paterson: Okay. That is good. In essence, the 6 per cent is the international element, but the report goes on to say—

Mr Robert Black: Sorry. Just to correct that, we are saying in the report that progress will depend on international agreements and that that will affect both domestic and international aviation. We do not have information specifically about domestic aviation.

Gil Paterson: My question does not relate to that. It is just to clarify something in my own mind. You say that the Scottish Government has very little influence on the matter. My question concerns all aviation in Scotland. Scotland's airports, which determine which airlines and what types of plane fly in, are self-regulated, whereas the London airports are regulated by the Department for Transport, which influences the types of plane that fly in and the noise and fuel emissions that they produce. Have you looked at that aspect?

It is possible for the Department for Transport and, I believe, the Scottish Government to regulate Scottish airports. Have you examined the difference between the planes that arrive in Scotland and those that arrive at other airports? The standard is different. If you have not examined that, would you be prepared to examine it and the impact of the regulation of Scottish airports on emissions?

Mr Robert Black: Unfortunately, we cannot help you with that question immediately because, as I mentioned earlier, the report is a relatively high-level review of Scotland's position on its greenhouse gases policy two years on from the 2009 act. We would not rule out examining that in the future, but I suggest that the question would be better directed at the Scottish Government, because the extent to which it would be appropriate and feasible to regulate the aircraft flying into and out of airports in Scotland is essentially a policy matter for it. That is not something that Audit Scotland could pass an opinion on.

Colin Beattie (Midlothian North and Musselburgh) (SNP): The report is useful in that it highlights some of the challenges that we face as trailblazers on the issues.

Like some other members, I am particularly interested in the transport figure. Is there any further breakdown for the emissions from public transport, commercial transport and private transport?

Mark Roberts: I am afraid that there is not. It is broken down at the high level in that the figures for

road and rail are combined and then aviation is split out, as we mentioned, together with shipping. That is the highest level of detail.

Colin Beattie: I recall reading a document a couple of years ago that said that public and commercial transport were responsible for something like 75 per cent of the total emissions and that private transport was responsible for 25 per cent. I am speaking from memory. I am interested to know whether there is any indication that that is still the approximate breakdown, because that would lead us to where we should focus our efforts on reducing emissions in the future. You seem to say that there are no figures to support that.

Mark Roberts: We would be happy to explore that and dig in to try to uncover that information or the type of document to which you referred.

Colin Beattie: That would be useful.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): I thank the Auditor General and Barbara Hurst for presenting the report, which is a useful staging post for us on the journey towards reducing emissions. It was helpful to read, and I was encouraged by what I read in it.

As the Auditor General said at the beginning, there is no harm in setting ambitious targets. The Parliament unanimously embraced ambitious targets only two years ago, and some good progress has been made.

I want to ask about energy, which appears from exhibit 2 on page 4 of the report to give us the greatest opportunity—or rather, it makes the greatest contribution to greenhouse gas emissions at the moment. To touch on the Scottish Government's energy policy of shifting increasingly to renewables, does what you have discovered in producing your report give you a sense of a year-on-year gain towards the target? How might the committee be able to see that progress being made in the future?

10:30

Mark Roberts: There has been a steady reduction in emissions—by 18 per cent against the baseline year of 1990—associated with the production and supply of energy.

In relation to the Scottish Government's renewables target, in 2009 the contribution from renewables was 27.9 per cent of electricity demand. The interim target was a 31 per cent contribution by 2011. The Government now has a target of 100 per cent by 2020. Renewables are a steadily growing proportion in achieving the overall reduction in emissions from the production and supply of energy.

Willie Coffey: As we approach the target year of 2020, it will probably be increasingly difficult for us to achieve the target. The report says that we depend on participation from other legislatures around Europe and within the United Kingdom.

On the transport issue that the convener raised, if we take a step back we can see the ebb and flow. The increasing cost of petrol balanced against the rising price of rail and bus travel could bring people from private cars to public transport. However, driving around Scotland, I do not see petrol price increases leading to a huge decrease in the number of people using private cars. A step change is needed in public awareness.

Mary Scanlon mentioned how we will engage with the public and get them to embrace the changes that we seek. The policy changes that the Scottish Government will introduce will create certain effects, but we probably need to go beyond that and have a wider discussion with the public about how they behave and the best way in which to get around the country. I hope that, when we begin to roll out the new policies from 2013, there will be greater engagement with the public on jointly achieving the targets that Scotland has set.

Liam McArthur (Orkney Islands) (LD) (Committee Substitute): I notice that a couple of colleagues may have tried to draw Audit Scotland into criticism of the Governments north and south of the border. I will try to avoid that.

I was struck by quite marked differentials in appendix 3 in the estimated cost of emissions reductions against the rate of return. Were you able to take a view across the various policy areas about value for money in the cost borne by the public purse or by the private and other sectors in achieving behavioural change or whatever the change is that we are seeking to achieve?

Mark Roberts: The costs that we quote in appendix 3 are costs to the whole economy. We did not disaggregate them into costs to the private or the public sector—that is one of the key points.

In paragraph 46 on page 10 of the report, we talk in quite simple terms about cost effectiveness in terms of pounds per tonne of CO₂ reduction. There are more than two orders of magnitude of variation in the cost effectiveness of the proposed new policies in the transport sector. For example, while enhancing facilities for videoconferencing, teleworking and so forth could cost £20 per tonne of reduction, it could cost more than £2,500 per tonne to introduce intelligent transport systems to improve the movement and flow of traffic around the country.

We produced an online annex to the report, which sets out the relative cost effectiveness of all the existing policies and the proposed new policies. The range of cost effectiveness there was

even greater—130 times the variation that we quote in the report.

Liam McArthur: Have you taken a view on whether there is a threshold beyond which it is questionable whether the return on that investment, however it is borne, is justified? There are one or two areas in which you question the Government's policy stances. The one that leapt out at me is in paragraph 25, in which you refer to the decisions to rule out road pricing schemes and charges for workplace parking—issues that have been of no little controversy in the Parliament. That suggests that you have identified areas where, if other policy stances had been taken and other measures were introduced, the cost of achieving the emissions reductions that we want to see could be markedly less. Is that a fair assessment?

Mark Roberts: We looked only at the suite of 18 existing and 17 proposed new policies, as that is where the cost data was available to us. The Government's position is that all those policies are necessary to meet the target. There was no cost information available for the policies that it did not include in the suite of 35, so we did not look at the potential relative cost effectiveness of those.

The Convener: Let us stick with appendix 3 for a moment. Perhaps you can help me to understand something. You supply a list of initiatives with their potential emissions reductions and estimated costs. One of the most significant costs is for the development of cycling and walking infrastructure, yet that contributes very little, in comparative terms, to the reduction of emissions. Is that correct?

Mark Roberts: Yes, that is correct.

The Convener: Compared with the other initiatives in the table, that is not a particularly effective and efficient use of public resources.

Mr Robert Black: It is important to distinguish between the commentary in the report, which is about greenhouse gas emissions, and a wider policy agenda around the case for enhancing cycling as a means of transport and generally, which is an entirely different area. In the report, we say specifically that improvements to the national cycling and walking infrastructure costing around £1 billion at current prices will achieve by 2020 a 1 per cent reduction in total emissions. However, that is as far as we can go in the report.

The Convener: There are other areas in the table, such as biofuels, in which investment will produce a significant reduction in emissions and is therefore cost effective. Similarly, a switch to low-carbon vehicles will produce a significant return on the investment relative to the return from cycling and walking infrastructure. Has any thought been given to how public investment can be skewed to

supporting the most effective measures to reduce carbon emissions and whether that should be done more ruthlessly if the targets are to be met?

Douglas Black: At this stage, we do not know how much of the cost of each of the existing or proposed new policies would fall on the public sector. For the cycling initiative, for instance, some of the cost may fall on the Scottish Government and some may fall, in the future, on local authorities if they are required to develop more extensive cycle paths. There may be a cost to other parts of Scottish society as well. The costs are overall costs to Scotland plc. Where there is going to be a cost to the public sector, that will presumably be an important criterion in deciding which proposed new policies will be prioritised for implementation.

The Convener: Has there been any analysis of the effectiveness of that investment? In the areas that I represent, going back 15 or 20 years, cycle paths were created in the urban environment—they are not the cycle paths on the old rail network, which Sustrans and others have been involved in—but they are rarely used by cyclists. If that is repeated across the country, we will be investing in something that has only a peripheral use and a marginal return.

Douglas Black: There are two parts to the answer to that. First, the Scottish Government commissioned a piece of consultancy work to explore a wide range of transport proposals before selecting its shortlist of viable proposals that it considered to be suitable for inclusion in the report on proposals and policies. Secondly, the Scottish Government has not prioritised the set of 35 measures or prioritised which of them will be implemented. It considers that they are all required. However, the phasing of the measures is a consideration. For instance, some measures are contingent on the implementation of EU regulations and can start only in a particular year. Not everything will happen at once.

Mary Scanlon: I have a brief question about paragraph 25. I was surprised to find that you recommend new policies to the Government such as road pricing and charges for workplace parking, given that all parking charges at national health service hospitals have been abolished. Is it essential to introduce a road pricing scheme and workplace parking charges to meet our targets?

Mr Robert Black: That is clearly a policy issue for the Government and Parliament to consider. We have no comment on that. The element of challenge in that part of the report is that a wide range of transport initiatives have been or are being adopted—we have talked about one area, which is encouraging cycling—so to make a further step change, policies that have not been attractive in the past might have to be considered.

However, it would be inappropriate for auditors to go further than that.

Mary Scanlon: To use the convener's words, has an analysis been done to show that workplace parking charges and road pricing schemes would achieve the targets? That is clearly a recommendation in the report.

Mr Robert Black: I am sorry, but I must emphasise that it is not a recommendation. All that we are saying is that, if society is to increase significantly the policy impact in the area, some of those new measures will have to be considered, because all the other significant issues have already been addressed.

Mary Scanlon: You ask the Government to consider those measures. I just wonder whether existing road pricing schemes elsewhere in the United Kingdom have led to a considerable reduction in emissions.

Douglas Black: We did not look into that for the report.

Mr Robert Black: It is fair to say that a great deal of research on those matters is undertaken by various agencies and organisations, but we did not look at that for the report.

The Convener: You say:

"If the EU does not increase its 2020 target, the Scottish Government will need to consider"

the three issues that are set out in bullet points. That is a very definitive statement. Does that mean that you have considered other measures and rejected them, or are those the only things that the Government "will need to consider"? As I say, the report is very definitive there.

Mr Robert Black: With the benefit of hindsight and this conversation, I apologise for that clause in that sentence. It might have been more sensitively worded, along the lines of saying that the Scottish Government might have to consider other policy areas and then giving examples.

George Adam (Paisley) (SNP): The report is a high-level overview, but our ambition on the subject has taken us beyond the scope of your review in some of our questions.

Paragraph 40 states:

"Two areas are expected to account for around three-quarters of the total costs".

One of them is transportation. The report mentions "promoting the use of buses and taxis and measures to reduce their emissions".

Is there a role for partner organisations such as local authorities to use regulation to try to attain that and push that idea forward?

10:45

Mark Roberts: Absolutely. Everyone who is involved in the provision of buses and the supply and commissioning of bus services will have to be involved in the discussions about how those are provided in the future, to ensure that services are still provided, but with lower emissions.

George Adam: I declare an interest as I am a councillor in Renfrewshire Council, which has been working with Strathclyde partnership for transport and other local authorities on the Paisley bus quality partnership, which ensures that there are two to three bus operators in Paisley town centre. A condition of the partnership is that the buses have to have Euro 4 or Euro 5 engines to ensure that they are hitting various CO₂ emissions targets. From a regulatory point of view, that approach is a good idea. Personally, I would have made the conditions a bit tighter—the bus operators were given some latitude. However, essentially, our buses are more modern, better in terms of emissions and, at the end of the day, better for the customers.

Local authorities also have policies to regulate taxis. Some local authorities believe in having newer vehicles. There is quite a big debate about whether to make it a rule that a car that is more than five years old can no longer be a taxi. That can help with emissions because, as newer technology comes through, CO₂ emissions inevitably come down.

Could you give me some feedback on those policies?

Mark Roberts: We have taken very much an overview approach. We also take the view that this is the first part of performance audit work in this area. As part of the Climate Change (Scotland) Act 2009, all public bodies, including local authorities, were given climate change duties, which came into force at the start of this year. We are considering, as part of our longer-term rolling programme, a performance audit to examine how public bodies are taking forward the agenda and complying with the requirements. Their approaches to transport needs would be a key element of that.

Liam McArthur: The convener asked earlier about attempts to encourage more cycling and walking. Obviously, each of the policies that we are discussing will reach across a variety of objectives and, arguably, the driver for the attempt to increase the rate of cycling and walking is as much to do with health promotion as it is anything else. In that context, to what extent does the figure of around £1 billion that appears beside that initiative in the fifth column in appendix 3 take into consideration anticipated reductions in the cost of dealing with issues around poor health and so on?

Mark Roberts: The figure is the planned cost of the investment, rather than the net cost, which would take into account all of the health benefits that might accrue from greater levels of active travel. As we said earlier, there perhaps needs to be greater understanding and communication of the wider benefits of some of those policies. The report recommends that the Government focus on that.

Liam McArthur: You see that as part of the engagement strategy.

Mark Roberts: Yes.

Willie Coffey: I want to see what message the public could take from a debate such as this about what they can do personally. Walking and cycling have been mentioned in that regard, but I note that the chart on page 1 of the report says that the average petrol car generates a tonne of CO₂ every 3,000 miles. There is an immediate opportunity for drivers to reduce their mileage by 3,000 miles a year and therefore save a tonne of CO₂.

A further note in the report is that Scotland really needs to reduce this stuff by a million tonnes each year to 2020 in order to meet the target. When we develop public policy and engage with the public in embracing this, there has to be a new way of thinking to encourage people to make the modal shift from their cars to public transport. I think that there has been good progress on that and the shift is already taking place but, for the public to embrace that and do something positive to achieve it, perhaps it is time that the Scottish and UK Governments—and all Governments—thought about incentivising people to reduce their mileage and found a way to report that so that we could see the reductions and savings being made. I think that there is an opportunity there.

The Convener: Thank you very much for the report. With that, we will draw the discussion to a close. The subject is something to which not only this committee but other committees of the Parliament will no doubt return.

Section 22 Reports

“The 2010/11 audit of Registers of Scotland”

“The 2010/11 audit of the Crown Office and Procurator Fiscal Service”

“The 2010/11 audit of Disclosure Scotland”

10:50

The Convener: We move on to item 3, on section 22 reports. I note that Bob Leishman is joining Mr Black. I invite the Auditor General to introduce this item.

Mr Robert Black: I would like to draw the Parliament's attention to three reports. You might ask why I want to do that. Each report relates to circumstances surrounding the development of information technology projects that have had an impact on the value of the IT systems reflected in the accounts of each body. My reports arise from the annual audit of the bodies concerned—I am reporting the result of issues of concern that came through the audit reports. In other words, we have not done the equivalent of a performance audit and looked in detail at each of the bodies; we are simply reporting the impact on the accounts. I may come back to what we might do subsequently.

There are reports on the Registers of Scotland, the Crown Office and Procurator Fiscal Service and Disclosure Scotland. In each case the systems involved have been subject to development projects that have been cancelled or delayed to some extent. The problems experienced by each of those bodies are reflected in different ways and therefore referred to in the accounts in different ways.

The Registers of Scotland accounts include an impairment charge—a write-down in the value—of £3.1 million. In this case, the write-down recognises that the value of the developments introduced as the result of a ten-year contract with British Telecom has been reduced because two important elements of the development work had to be abandoned.

There is a similar impairment charge of about £2.3 million in the accounts of the Crown Office and Procurator Fiscal Service that reflects the decision taken by the COPFS management to cancel a project to update its case management system software. That was done partly because the complexities of the update were greater than expected and partly because the capital budget through which the developments were funded was

being reduced. In other words, there was an affordability issue.

The Disclosure Scotland case is slightly different. In that case, the accounts reflect the value of an IT system covering new legislation for the protection of vulnerable groups. The system, initially owned by the Scottish Government, was transferred from the Scottish Government to Disclosure Scotland and the value reflects the costs that were incurred. The system has not worked as well as was expected, which raises doubts about its value. Because the outside provider, BT, is taking action to address the situation, no impairment charge has been applied to the accounts at this stage, but the auditor has drawn attention to potential uncertainties over the value of the system if matters are not resolved.

Those three cases, because of their similarities, together raise questions about how well public bodies are positioned to get best value from IT services they are commissioning from outside providers. From those examples, it appears that difficulties can arise when circumstances change or when the product that is delivered does not meet the expected standards. As a result, I felt, on receiving the reports, that we should take a wider look at how outside providers are identified and appointed, how the product to be delivered is defined, the contracts involved and how well public sector managers monitor progress. Audit Scotland had already identified in its forward work programme the possibility of carrying out work in this area and I have now asked Audit Scotland's performance audit team to bring forward proposals and include an audit of outsourced IT contracts in the 2012-13 work programme.

Coming back to where I started, I stress that my reports are based on the audited accounts and that we have not carried out any detailed analysis. That said, Bob Leishman and I will do our best to answer members' questions.

The Convener: Thank you. I will ask a few questions for clarification. You said that all three cases involve projects delivered in conjunction with outside providers. Did you say that the Disclosure Scotland project has not been cancelled but that there are doubts about its future value?

Mr Robert Black: Yes.

The Convener: And in the other two cases the whole project or important elements of it have been cancelled.

Mr Robert Black: That is correct. The circumstances vary according to the individual body.

The Convener: You have indicated that the Registers of Scotland has incurred a £3.1 million

impairment charge and COPFS a £2.3 million charge. How much has been invested in those two projects?

Bob Leishman (Audit Scotland): The Registers of Scotland project is part of a long-standing partnership agreement between the organisation and BT that is expected to be worth £132 million over a 10-year period.

The Convener: And how much was this particular element of that total? Presumably the £132 million project has not been cancelled.

Bob Leishman: No.

Mr Robert Black: As we say in the report, the initial contract cost of the project and services was originally estimated at £66 million back in December 2004.

The Convener: That is for the Registers of Scotland project.

Mr Robert Black: Yes.

The Convener: Right.

Mr Robert Black: By April 2011, the Registers of Scotland had incurred costs of £102 million and the total estimated cost to the end of the partnership had risen to £132 million.

The Convener: Are we saying, then, that the estimated cost of this cancelled project will be £132 million?

Bob Leishman: No. The cost of the whole partnership is £132 million.

The Convener: Yes, but how much of the £132 million does the cancelled project represent?

Bob Leishman: The £3.1 million figure.

The Convener: Only that?

Bob Leishman: Yes.

The Convener: And in the case of COPFS the £2.3 million figure is associated with the cancelled part.

Bob Leishman: Yes.

The Convener: So £5.5 million has been written off on those two projects—and that is before we come to Disclosure Scotland. We do not know yet what the impairment or write-down will be for that project.

Bob Leishman: That is right.

The Convener: This is not the first time that we have heard from the Auditor General and Audit Scotland about significant public projects having cost overruns or having to be abandoned because of an inability to manage them properly. What we have seen today is a small but shocking glimpse of an appalling situation in many of the public

agencies. There appears to be a widespread waste of hard-earned taxpayers' money at senior level. Frankly, given the regularity with which we hear about such problems, it seems that there is a bunch of incompetents or amateurs managing many of these projects. How else can you describe such consistent failure? Some people seem to be out of their depth in the scoping, procurement or management stages; clearly, problems are happening somewhere along the line. Not for the first time—this goes back over many years—we are faced with institutionalised incompetence at the senior level. I know what you said in your report, and I hope that what you say about the future is true. Despite that, given that we have heard this type of story before, can we be confident that this will not be repeated in future?

11:00

Mr Robert Black: That question would be best addressed to the Scottish Government. However, in view of the concerns that you have expressed, I am reinforced in my wish that Audit Scotland should look at proposals for examining the outsourcing of contracts and how well they are performing.

I should also say that section 22 reports are what we call exception reports that are made when things have gone wrong. There is a huge amount of complex activity going on across the public sector that I have not reported on, but that does not necessarily pass any judgment on whether that activity is being done well or indifferently or badly. I encourage the committee to recognise that these are three limited reports on specific issues. The only way in which I could report to and advise the committee more widely would be on the basis of a much fuller programme of work, and I have suggested that Audit Scotland might undertake such a programme in 2012-13.

Drew Smith: The convener has powerfully highlighted the concerns that the committee would have about the management of some of these projects, particularly in relation to the Crown Office and Procurator Fiscal Service. Part of the reason for the cancellation of that project was a reduction in the budget, which meant that the project ceased to be affordable. Should we take that example as a warning of things that might happen in public bodies more generally in the future? Are you aware of any particular IT or other procurement contracts that might form the basis for further reporting?

Mr Robert Black: That question has two parts, if I may say so. The first is whether there are any further risks out there. Certainly with the significant reduction in capital resources into the future, there might well be risks that will require people to revisit their commitments to IT systems. That also has

implications for the delivery of efficient government. Last February, when we talked about my report on the management of capital projects, we touched on some of those risks, as we did in the report on Scotland's public finances a few months ago.

I am not sure that we can help you with the second part of your question because we do not have the required breadth and depth of audit information available.

Willie Coffey: The Auditor General is giving us quite a concerning message and I fully support his comments about conducting an audit of outsourced IT projects in the public sector at some time in future.

I note from the Registers of Scotland paper that agreement was reached with BT in December 2004, so some of the problems might emanate from the distant past. Nevertheless, convener, as you said yourself, for the past four years the Public Audit Committee has been hearing the message that some sections of the public sector suffer from a lack of project planning at the early stages, whether the project is to procure IT services or something else. The question is whether some public sector organisations have the skills and abilities that allow them to embrace such project planning.

When the Auditor General is carrying out that analysis, I would be keen to find out whether the three organisations that have been mentioned today have any management systems in place to assist them with such processes. The tools do exist. Quality management systems have been around for a long time and provide the kind of assurance that this committee and others are seeking to ensure that project planning is done at an early stage. When people are buying software, they want to be sure that it does what it says on the tin before they commit huge amounts of public money to buying it. There is a lesson for us all, particularly those three organisations, that we should embrace that kind of assurance strategy at an early stage in planning.

Mary Scanlon: It seems that Disclosure Scotland is working through its issues. There are differences between the reports and I would like to look at the Registers of Scotland. It is quite shocking that, by 30 April, the total estimated cost at the end of the partnership had risen to £132 million.

Paragraph 7 of paper PA/S4/11/9/4 talks about how Registers of Scotland "decided not to proceed" with the system because

"tests showed that it did not achieve the required level of delivery and accuracy."

Surely if someone is looking at a contract that is worth more than £100 million, they sit down with the contractor to decide on their and the contractor's obligations. If what the contractor is delivering is not fit for purpose or does not meet the requirement of the taxpayer and the public purse, why are the losses from the public purse? If the contractor fails to fulfil a contract to a

"required level of delivery and accuracy"

why is the contractor not paying? Why is the cost falling on the public purse?

Mr Robert Black: That is an entirely fair question to ask. The problem that we have in answering it is that we do not understand the full detail and background to the contracts. To present it in context, as I am sure you will have noted from our report, it is addressing the impairment that relates to two particular projects in the programme, and the whole programme will deliver far more services and benefits than the two projects would have.

Questions like that would be best addressed to Registers of Scotland.

The Convener: There are no further questions. We will consider at a later stage what we need to do with the reports. Thank you for drawing them to our attention.

Section 23 Report

"A review of telehealth in Scotland"

11:07

The Convener: Item 4 is correspondence from the Scottish Government on the review of telehealth in Scotland. Are there any comments on the letter from Derek Feeley?

Mary Scanlon: I am on the Health and Sport Committee and it has asked for an annual update on the progress of telehealth. There has been some progress but we are still not embracing and fulfilling the opportunities that telehealth provides. Although the progress looks quite good, it is really only the tip of the iceberg.

The Convener: Can we agree to note the report and refer it to the Health and Sport Committee?

Members *indicated agreement.*

Section 22 Report

"The 2010/11 audit of the Scottish Government Consolidated Accounts"

11:08

The Convener: We have a reply from Sir Peter Housden of the Scottish Government to the questions that we raised. We have recognised some of the complexities of the issue and the length of time that it can take before problems can be identified. As there are no comments, can we agree to note the correspondence and refer it to the European and External Relations Committee?

Members *indicated agreement.*

11:09

Meeting continued in private until 11:36.

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