



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

LOCAL GOVERNMENT AND REGENERATION COMMITTEE

Wednesday 30 January 2013

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LOCAL GOVERNMENT AND REGENERATION COMMITTEE

3rd Meeting 2013, Session 4

CONVENER

*Kevin Stewart (Aberdeen Central) (SNP)

DEPUTY CONVENER

*John Wilson (Central Scotland) (SNP)

COMMITTEE MEMBERS

*Stuart McMillan (West Scotland) (SNP)

*Anne McTaggart (Glasgow) (Lab)

Margaret Mitchell (Central Scotland) (Con)

*John Pentland (Motherwell and Wishaw) (Lab)

*Stewart Stevenson (Banffshire and Buchan Coast) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Sir John Arbuthnott (Royal Society of Edinburgh)

Robert Black

Jamie McGrigor (Highlands and Islands) (Con) (Committee Substitute)

CLERK TO THE COMMITTEE

David Cullum

LOCATION

Committee Room 1

Scottish Parliament

Local Government and Regeneration Committee

Wednesday 30 January 2013

[The Convener *opened the meeting at 10:47*]

Decision on Taking Business in Private

The Convener (Kevin Stewart): Good morning. I welcome everyone to the third meeting in 2013 of the Local Government and Regeneration Committee. As usual, I ask everyone to ensure that they have switched off mobile phones and other electronic equipment, please.

I have received apologies from Margaret Mitchell, for whom Jamie McGrigor is substituting. I welcome him to the meeting. We are glad to have him.

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

Members *indicated agreement.*

Subordinate Legislation

Local Government Pension Scheme (Miscellaneous Amendments) (Scotland) Regulations 2012 (SSI 2012/347)

Non-Domestic Rate (Scotland) (No 2) Order 2012 (SSI 2012/352)

Non-Domestic Rates (Levying) (Scotland) (No 3) Regulations 2012 (SSI 2012/353)

10:48

The Convener: Under agenda item 2, we will consider three negative Scottish statutory instruments: SSI 2012/347, SSI 2012/352 and SSI 2012/353. Members have a note from the clerk that sets out the purpose of each instrument. The Subordinate Legislation Committee has drawn only SSI 2012/353 to our attention; there is a drafting error in the regulations, but the Scottish Government has undertaken to correct that.

As members have no comments, are they content not to make any recommendations on any of the instruments?

Members *indicated agreement.*

Public Services Reform and Local Government: Strand 3 (Developing New Ways of Delivering Services)

10:49

The Convener: Agenda item 3 is an oral evidence session in our inquiry on public services reform and local government: strand 3—developing new ways of delivering services. This is the first evidence session on strand 3. We will hear the views of two eminent witnesses, both of whom have had distinguished careers in public service. I am very pleased to welcome Sir John Arbuthnott, who is president of the Royal Society of Edinburgh, and Robert Black, who is the former Auditor General for Scotland. Do you want to make any brief opening remarks?

Sir John Arbuthnott (Royal Society of Edinburgh): First, I apologise and thank your officials for accepting the paper from the Royal Society of Edinburgh, which was a day late. I point out that advice papers from the royal society involve input from a number of fellows, not all of whom are as switched on to timescales as others. Thank you for accepting that.

Secondly, I ask your advice, convener. I would like to comment in two ways. One is to summarise the main headline issues that were discussed at the RSE advice group. The second, if it is of any value, is to bring you up to date and tell you a little bit about how the work that I did in the west of Scotland—which started as the Clyde valley review, but has now branched out beyond that area—deals with matters pertinent to the committee's inquiry. That might be of interest to you. I am happy to do both of those in the order that you want.

The Convener: Just do as you wish, Sir John.

Sir John Arbuthnott: The brief advice paper from the royal society highlights a number of issues. First, it was the view of the advice group that the request for evidence did not really deal with outcomes but outcomes are extremely important. Cost reduction is one of the major challenges, but we must bear in mind what outcomes any reformed delivery services deliver for the people of our communities.

The importance of demographic trends is mentioned, as is the importance of fully exploiting the digital technology that is available to us. The Royal Society of Edinburgh has taken the decision to go into another phase of its inquiry on that, which is called reaping the benefits of digital Scotland. The paper deals with the extent to which digital technology is available and taken up,

because the delivery of services in the future will depend on the use of such technology.

I will deal with the challenge of achieving partnerships in more detail when I tell you about my interactions with a number of local authorities in the west. The implementation of shared agreements—once you have them—raises considerable logistical and political issues. Alternative delivery mechanisms mean not only shared services; they also involve the third sector, charities and volunteers. Large-scale savings require brave decisions to be taken by senior officers and at the political level.

We must also consider whether Scotland still requires to have 32 local authorities. Eventually, that will raise its head. It raised its head with me when, in 2006, I chaired for the Parliament the commission on putting citizens first. We considered the boundaries of the 32 local authorities and how they sat with the electoral boundaries for the Parliament.

Workforce planning is mentioned. I will also mention community planning partnerships. If you are delivering shared services, particularly joint action between local authorities and health boards, community planning partnerships will be essential in achieving what we want to achieve with services for older people.

The Convener: Thank you very much.

Robert Black: I will say where I am coming from. I retired last summer and, as the Auditor General for Scotland, I had a unique and somewhat privileged insight into how government works in Scotland. I felt that, once I retired, I should try to pull some of those thoughts together, which I have been doing.

The first point to make is that I have had no discussion with Audit Scotland or anyone in Audit Scotland about this—I stayed away from their job completely, and the comments and opinions that I am offering are entirely my own.

The second point is, why am I doing this when I have retired? I sometimes ask myself that. The serious answer is that I am passionately interested in the good of Scotland and, as part of that, from my background, the good government of Scotland. As I attempt to capture in the note that I have given you, I think that we do a lot of things very well in Scotland. I think that the quality of government is good. As I have said on various platforms, standards of probity, legality and financial stewardship are extremely good.

However, that does not mean that we cannot get better. Personally—I have not put this in the note, but I have been writing about it elsewhere—I think that, in many ways, the future could lie with small government. That is not a point about the

independence debate. Many of the big challenges that we are facing in society are challenges to do with systems and the organisation of society. You can see that centralised states are having difficulty in coming to terms with some of that, whereas we do some things really well in Scotland. We connect well through partnerships and the relationship between Government, local government, health bodies and the voluntary sector, and through the work of this Parliament, which takes evidence in all sorts of ways when it conducts inquiries and considers legislation.

We do lots of things well, but that is not to say that we cannot get better. I gave up reading management textbooks about 15 years ago, because I thought, "I've read all this stuff now." However, I read a book called "Good to Great", by Jim Collins, which talks about how, in organisations, the good can be the enemy of becoming great. My starting point is to make a constructive challenge by asking whether we are doing enough to consider openly the hard choices that are ahead of us in Scotland and whether our systems of government and organisations in the public sector are equipped to seize the opportunities that are out there. People often get bowed down by the huge challenges of finance, the ageing population, global warming and so on. There are also good opportunities, but they will require a bit of courage and energy to tackle, if we are to move forward.

In the note, I have tried to capture under 10 headings some of the issues that I think are very important. It is no more than a summary note. It is not the long dissertation that I could have written. That means that, at points, I do not do adequate justice to some of the good things that have been going on in Scotland. Nevertheless, it is an attempt to capture some of my thoughts about what is going on, based on my years of working in the public sector.

The 10 headings can be grouped into three areas. The first group is the context, which is that of the serious pressure on public services. That pressure is financial, as we all know, but there is also pressure on the supply and delivery side—the backlogs in maintenance and repair, the implications of the ageing population, waste management and other things that I have not mentioned in the note, such as the issues that remain around equal pay. We must ensure that we keep that in mind. Also related to pressure is the change in the expectation in society and among citizens about what government should do and how services should be delivered.

The second category concerns systems thinking and new models of service delivery. Those issues have significant implications for things such as preventative spending and how we handle

partnership working and the commissioning and contracting of services.

I push the boat out a little bit towards the end of the paper and suggest that we need to think seriously about the arrangements that we have for challenging and supporting improvements in productivity and performance. I venture one suggestion about how we might do that—although there will be other ideas—which is the idea of a commission on resources and performance.

11:00

The central question is, how will we challenge and incentivise improvements in productivity and performance? In other words, how will we ensure that, in a sense, we hold the feet to the fire for public bodies in Scotland to improve productivity and performance? That will be absolutely essential, given the financial challenges that we face.

Finally, there are significant issues and opportunities around how we share best practice and learning not only among the leaders in public service—the permanent secretary leads the leadership forum in government, which is an excellent initiative—but among the wider range of professionals and the practitioners out there delivering services on the ground. I suggest that we need to do some more around that.

In addition, if I may be so bold as to suggest this, we need to find a way of helping politicians in the Parliament and locally to have a good appreciation of the exciting opportunities of information; we need to celebrate that, find ways of learning from it and translate that innovation into other parts of the public sector.

The Convener: Thank you very much. I am sure that we will come back to the submissions that you have made. Stewart Stevenson is desperate to come in here.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): I just want to pick up on one specific point. Dr Black talked about small government, on which I am absolutely with him. Scotland has 33.2 elected politicians per 100,000 of the population, England has 42, France and Germany have 70 and 80, and Greece has 660. We actually have the lowest number in Europe in that regard. Those numbers are approximate, so I am not going to be held too much to account for them—I did the numbers quite a long time ago. Is our figure good because we are getting so much out of our rather smaller number of politicians? Alternatively, if we really want small government that is connected to communities, should we have more politicians?

Robert Black: That is an entirely reasonable question. It is not my special subject, but that never stops me from offering a thought or two. The narrow answer is that it depends what one thinks the role of the politician is at different levels. Clearly, it is vital that there is a democratically elected tier of people from the community who represent that community and understand its needs and issues. There is also a need for a tier at the level of the Scottish Parliament, which can do the strategic stuff better than anywhere else. I think that we have been able to demonstrate that in the first 10 to 12 years of devolution.

There is, however, a related point that rather elides round your question, for which I apologise. The question is how we get a good relationship at two levels between politicians who work more at the centre, such as yourselves, and what is really happening out there in the communities. All politicians, by virtue of their election, tend to be well connected to local communities. However, do people in the Parliament have a really good opportunity to understand what is happening in the modern health service? I wrote a paper quite recently in which—to summarise—I just listed the things that go on in a large teaching hospital. That is a hugely complex business.

There is therefore the issue of trying to get a connect between the elected representatives and what is truly happening out there in the community. There is also the perennial problem—it has been around for my entire professional life—of how one gets the business community and the voluntary sector well connected into government. That problem has not eased over the years. It is a lot better than it was with the voluntary sector, but I still think that there is a way to go in terms of the business community's engagement with the Parliament, despite all the good initiatives that have been undertaken.

Sir John Arbuthnott: I will add a tiny bit to that, because I, too, have a little bit of a thing about this. The real purpose of the commission on putting citizens first was to respond to the fact that the number of Westminster MPs in Scotland had been reduced and to ask what would happen to the number of MSPs in the Scottish Parliament. I will not go into all the details of that, but we did a fascinating piece of work.

Of course, this is all historical and retrospective and is, I think, not nearly so much the case now but, at the time, I was struck by the amount of tension between constituency and regional MSPs. At the time, we suggested that, if regional MSPs took more of an interest in the many strategic issues in their region, we might get a bigger bang for our buck. There was definitely a tendency for regional MSPs to want to become constituency MSPs; I have no problem with that, but there was

certainly a bit of tension about who did what. I am not absolutely sure what the situation is now.

Following up a point that was made by Bob Black, I can say that having been chair of NHS Greater Glasgow and Clyde, which is a huge area where many potentially controversial issues can arise, I know that when and just before such issues come to a head locally elected local government representatives and MSPs really get stuck into the issues. Indeed, it is a necessary part of the process and, in our case, led to the formulation of how we eventually handled situations. That degree of interest and focus by MSPs and locally elected local government representatives is crucial. On the question whether we have the right number, I do not want to comment.

The Convener: What is your opinion of the progress that has been made in public sector reform since local government reorganisation in 1996? Obviously there has been a move towards community planning partnerships, but Mr Black has already pointed out that although there is now much more space for the voluntary sector to be involved there is not so much for the business sector. Can you say a little more about that?

Sir John Arbuthnott: My most informed experience of the issue that you have just raised is the work that I did on the Clyde valley review. I think that it is important to remember how that came about. At the very beginning of 2009, I was asked to undertake a review involving eight west of Scotland local authorities, which were responsible for perhaps more than 30 per cent of the spend on public services in Scotland. I think that those eight leaders were quite heroic in coming together and asking for someone to chair a review on what was likely to come down the track; after all, this was very early on in people's realisation of the extent of the cuts that were to come. They agreed that I would chair the review, and each of them made some of their best qualified young people available to help. Information gathering emerged as one of the most challenging problems that we encountered; the data was not standardised and it was quite difficult to deal with data between different areas. Bob Black would know a lot more about that than I would.

The authorities stuck with the process over the year. On one occasion, close to the beginning of proceedings, I was sitting with the eight leaders and one of them made a comment about trust. I said, "Well, if you're not prepared to trust each other and to trust me, I will leave the room now." They all took the point, responded to it and stuck it out. Later on, however, I will tell you the point that we have reached.

A problem with that exercise was that it came about three months after Alistair Darling made his autumn statement and therefore too early in the political process to have as much of an impact as it could have had. For a start, a series of local and national elections still had to take place across the United Kingdom and Scotland and a lot of the things in the review could not fall into place until local authorities were better focused on the outcome of those elections. Therefore, there was a gap between the drawing up of a road map based on the review's conclusions and the implementation of that road map. Perhaps I can say later what has come out of that road map at the end of the day.

Convener, I hope that that was a useful reflection.

Robert Black: Let me give a few thoughts on what is a big topic. One qualification to make at the beginning is that I am no longer in touch with, or up to speed with, what is happening. Change happens so quickly in Scotland, so I would not presume to comment authoritatively on any of the current issues.

First, we need to bear in mind that the first decade or so of devolution was great for the public sector because of the real growth—5 per cent a year, year on year—that was built in. That continued throughout the period, so there was a lot of growth. That allowed a lot of things to be done, including some basic factors such as looking at the terms and conditions of staff.

With the benefit of hindsight—which auditors always enjoy—if I have one criticism, it is that we could perhaps have done more to think about service redesign during those years of growth. We are struggling with that now. In redesigning aspects of the health service, for example, it is true that there needs to be investment up front to generate the benefits later. It is certainly true in a lot of preventative spending that up-front investment is needed to redesign the services before it is possible to move on. That is also true, as I think John will agree, not least in relation to shared services, given that one of the barriers to lift-off for shared service agreements is the need to invest up front and to move forward together. John is much more expert than I am on the detail of shared services, but it may be worth reflecting one or two factors there.

Local authorities in particular are at different stages with shared services. I was struck by the fact that one practical problem was that, if authority A had made moves within its responsibility to introduce new ways of working, such as by signing up to an information technology contract, and a proposal was then made somewhat later in the day for a shared service initiative involving several entities coming together,

authority A might already have banked some of the anticipated savings so it would not receive those potential benefits further down the road. I give that as an example of how we could perhaps have moved earlier on the strategic planning around such things rather than having to work our way through that in retrospect. That has been a real issue.

Secondly—again, John is expert in this area—the redesign of health services in Scotland raises some really significant issues about designing a health service that will be truly fit for purpose for the future that lies ahead of us so that we can cope with the ageing population, exploit the benefits of new technology and drive up performance. Over the years, two or three attempts have been made to try to do some of that stuff, but it has been quite difficult.

This is auditor speak, so I am talking about the glass being half empty, but it is also half full in that there have been many great initiatives. Many of those have been through good leadership at the local level, such as the partnerships between Stirling Council and Clackmannanshire Council and between East Lothian Council and Midlothian Council. The Society of Local Authority Chief Executives and Senior Managers, along with the Improvement Service, has led on some really good work on benchmarking, which I think is really promising. We need to recognise that, celebrate it and consider how we can exploit it for the future.

I will stop there. I could go on at great length, but I will stop at those two or three points.

The Convener: Thank you. Stuart McMillan and Jamie McGrigor have supplementary questions.

Stuart McMillan (West Scotland) (SNP): Good morning, gentlemen. A few moments ago, Sir John Arbuthnott mentioned that the review was ahead of its time because of the various elections that took place. Now that those elections are over, the next batch of elections—obviously, apart from the European elections in 2014, which will be followed by the referendum—will not be for some time. With the time that we have now, is there is more space for those who left the process to come back in and for it to be reinvigorated and have a bit more focus again?

11:15

Sir John Arbuthnott: I would like to think that there is. A great deal of background work has been done since the beginning of 2010. Bob Black has said that there is a lot more knowledge—thanks to Audit Scotland, to a large extent—of where potential exists. The health service has come up with some dramatic improvements and proposed changes. However, we still have ahead of us a period of uncertainty leading up to 2014

and the referendum, and then we have another set of elections after that.

If you asked me to look into a crystal ball, I would say that although a lot of work is being done by the health service, local authorities and the various groupings that bring together the administrative heads and elected heads of those bodies, and they are pretty well aware of the direction of travel, I think that it will take until 2015-16 before we see some more dramatic change. That is my gut feeling.

We have seen one major change, which I have been associated with in the background, which is the creation of the joint police and fire authorities. That is a bold step. I think that we will learn from it, but the Government has taken the steps to make it happen. I think that it is the beginning of major public service reform in Scotland. I have a feeling that there is still a period in which we will have to resolve the outstanding political issues before it really moves ahead, but that does not mean that nothing is happening, if you see what I mean.

Jamie McGrigor (Highlands and Islands) (Con): My question is about productivity and performance. Is it okay to ask about that at this point?

The Convener: Go ahead.

Jamie McGrigor: Sir Robert, you note that

"Competition and market testing have played little role in incentivizing productivity improvements across Scotland's public services."

I remember being at a Highland Council meeting about recycling at which a man stood up and shouted, "No targets without markets." That had a big effect on me. What role do you see alternative business models playing?

Also, you mention that Australia has its Productivity Commission at arm's length from Government and you seem to like the sound of that. Would you like to enlarge on that? Are the political concerns of people who believe that privatising public services is wrong getting in the way of good outcomes?

Robert Black: There was a great deal in that question. I will start at the end and work backwards. I am sure that you were not doing this, but it is important that we do not attach overly simplistic labels to privatisation versus the public sector versus the voluntary sector. There are some important issues around thinking through carefully with good evidence what is the best configuration for the delivery of any public service. For example, we can look along the M8 to Glasgow and some of the interesting developments that have taken place there in partnership working with the private sector—there are some interesting contracts—the use of arm's

length organisations and so on. There is a huge richness and diversity in what is going on over there.

Fundamental to my concern is that, although we monitor the standards and quality of public services in Scotland pretty well and we can see the benefits of that in the quality of many of the services, we do not look nearly as hard at the costs.

I am a great supporter of the Scotland performs framework, which I think represents a clear statement of the Government's vision of what it is trying to achieve as a Government in the longer term. That is cascaded through the single outcome agreements, which are being progressively refined and improved—quite effectively, in my view. That framework provides a clear statement of the ambition.

When we start to consider which activities will contribute to those outcomes, how much they cost and what the volume of activity is, we are still a long way off the pace as far as the quality of the available data is concerned. Given the financial scenario that we face and the pressures from an ageing population and so on, we urgently need to get a much better handle on cost activity, productivity and the contribution to outcomes. The Finance Committee does a great job, as does the Public Audit Committee, but it is necessary to have expertise in those areas, and to stick with the issues and do some good analysis to inform policy choices in Parliament and elsewhere. Parliament would benefit hugely from having more of that.

Over the years, I have heard a bit about the Australian Productivity Commission. I thought that we might need some idea of what a model might look like, and the Australian model is extremely interesting. The Productivity Commission was set up not that long ago—in the early 1990s, I think—by the Australian Government, with the support of the Organisation for Economic Co-operation and Development, to drive forward the issues of productivity and quality in public services and in the economy as a whole. It has done some really interesting work.

The nearest to parallel work in Scotland is the work of Audit Scotland, but because it is an audit organisation, it looks at things retrospectively. It never comments on policy but focuses on providing a service to the Public Audit Committee and the Accounts Commission. That is quite different from doing the policy options appraisal hard numbers, which I think is needed. As a result, it is much more difficult for Audit Scotland to engage with some of the current issues.

In addition to all the work that Audit Scotland does, another part of the public sector in which great progress has been made is the water

industry, which I mentioned briefly in my submission. Whether one thinks that Scottish Water should be privatised is neither here nor there; it is necessary to look at the business systems to see whether they are delivering the results. There is no doubt that, by doing some rigorous benchmarking over 10 years, Scottish Water has driven its costs down and its productivity up enormously. An essential ingredient in that process has been the external evidence-based challenge that the Water Industry Commission for Scotland and its team of economists have engaged in with Scottish Water to drive its improvement. That has worked.

Sir John Arbuthnott mentioned the Scottish police service. May I just take a punt on that? We will create a single Scottish police service across Scotland. We will have a highly professionalised inspectorate function that will look at the quality of service delivery, but in the longer term, once the new system has settled down, it will surely be necessary to look at the cost and quality equation, to assess whether the police service is as productive as it should be, given that it is a single provider for the whole country, and to compare it—just as we have compared Scottish Water with English water companies—with some of the English police services. I use that simply as an example of what might be possible in Scotland.

If we are thinking boldly, I think that we need to consider creating such capacity somewhere in Scotland.

Sir John Arbuthnott: That is a hugely significant point. Let us take the issue of demographic changes and the position with regard to care of the elderly by the health service and by local authorities. I applaud the Scottish Government's moves towards integration. I made a significant input through some work that I did on that.

The consultation is out, but we have not seen the results yet. I look forward to seeing them, but some things are already being done in pilot mode. We have an initiative on integrated resource frameworks, which look at the efficiency and operation of individual practices in the health service in different areas of Scotland. We now have good data on how that money is spent.

We also know what the costs are of looking after older people in acute care hospitals. There is acceptance that that is not the best environment for many of them to be accommodated in, and that we should be moving towards delivering the service in the community and the home. That means that the way the health service works with local authorities will have to change. A rough off-the-top-of-the-head figure for the savings that might be made—or at least the amount that might be redistributed for other purposes—is £3 billion.

That is the amount that is tied up in people being in acute hospital care when they do not need to be there and it is the most expensive part of the delivery of the health service. We are beginning to put the pieces of the jigsaw together: the way the money is spent, the most efficient way of doing that, the way we deliver the care, and the costs of that.

On private sector versus public sector involvement, we already have a fairly mixed economy, particularly in the commissioning of services. One part of the Clyde valley work that has stuck and is working is the creation of a health and social care collaborative in the west of Scotland, which has made major changes in commissioning of childcare and foster care. Those changes in the mode of delivery are supported by the Scottish Government, are more efficient and are saving money.

The same is being done for adult services, along with Scotland Excel. A scheme to show the potential for telehealth and telecare is being piloted by that group. Seven authorities, including the three Ayrshire authorities, and two health boards have attracted major investment from Europe to pilot an extension of telehealth and telecare, which will have quality of delivery and productivity aspects. Of course, the companies that are involved in supplying that will be integral. I hope that we are moving towards acceptance of a more mixed economy.

John Pentland (Motherwell and Wishaw) (Lab): Sir John mentioned that the single police force is perhaps a step forward. Your submission asks:

“Does Scotland need 32 Local Authorities?”

Are there too many local authorities? Could the system be streamlined so that we return to the situation pre-1996, when the current authorities were introduced?

Sir John Arbuthnott: It is not possible to say that that should or should not be done at the moment. However, it is 30 years since we looked seriously at local authorities. The work that Bob Black described on the knowledge of efficiency, funding and the use of funds in an accounting sense should at least raise the question whether we have the best organisational structure for Scotland for the future. The question should be looked at seriously. Again, that is an intensely political issue and it is probably not going to happen soon, but it is time to assess that critically.

Local authorities are beginning to work together more as consortia, and a huge amount of experience is coming out of the various initiatives to work together, which I think would inform a review of the situation. A review would be timely.

11:30

John Wilson (Central Scotland) (SNP): The issue goes back to Stewart Stevenson's opening question about democratic accountability and numbers. If we are throwing the possibility of local government reorganisation into the mix, how will democratic accountability fit into the process? We talk about shared services and shared delivery, but services have to be delivered on behalf of the citizens of local authority areas.

Sir John Arbuthnott: Absolutely.

John Wilson: How do we get the balance right? Do we go for a smaller number of local authorities and more shared services or do we go back to the old burgh council days and go for a larger number of local authorities, but with a view of shared services tied into that, perhaps regionally, such as has been suggested by the Clyde valley review? Alternatively, as is suggested in your written submission, we could look at what services could be delivered nationally and how local authorities could fit into that process.

Robert Black: I will come back to the question in a roundabout way. I will make a very simple statement: we should park the issue of the number of local authorities for the moment, for two reasons. First, a lot of service redesign and change is going on in Scotland, and secondly, I do not detect any appetite to look seriously at the number of local authorities.

As John Arbuthnott has eloquently described and I have tried to, it is important to recognise that a lot of really interesting things are going on in public services. A lot of local leadership initiatives are thinking through new ways of service delivery and so on. We have to let some of that mature before we come back to structures.

Related to that is another very simple concept. Merging may be difficult, but it is easier to do than breaking up. I speak with the voice of experience, because I was involved in the dismantling of Tayside Regional Council in the 1990s, which was hugely expensive and disruptive, and none of us would want to go through that again.

We are living in world where public sector bodies—not just local authorities—are encouraged and supported to do more and more together and to be more and more joined up. That is the way forward. It will lead to diversity and difference around Scotland in how public services are organised; perhaps we should celebrate that. We should never reach the point at which we become overly focused on a solution for all parts of Scotland—I am sure that John Wilson is not suggesting that. We should let initiatives evolve and develop. For example, we should see how the partnerships in the Highlands between the health

board and the council are developing. John Arbuthnott has described other examples.

Let us find some ways to tap into and understand what is really happening on the ground. Are we getting the quality improvements and efficiencies that we require? Can we learn from that and get some energy and drive behind rolling out such things in other parts of Scotland?

I would like to make one final point on shared services, which is very interesting. NHS National Services Scotland has made great strides over recent years in putting together national services for the health service. That is easier to do in the health service, because it has a relatively straightforward framework of accountability and all health boards are basically in the same business. NHS National Services Scotland has made enormous strides and I welcome that the Scottish Government has proposed that an order be introduced to enable it to work with local authorities on some back-office functions. That is an interesting development, because NHS National Services Scotland has lots of experience. Let us encourage and support that, find ways to monitor how well it is going, and learn from it quickly and roll it out elsewhere, if it is successful.

The Convener: I do not want to get too bogged down on changes to local authority numbers.

Stuart McMillan: I intended to ask about this later, but it seems apt to ask now, given what Robert Black has just said. Are there any examples of good practice or bad practice, both in the UK and outside the UK, that we should look at and try to learn from?

Sir John Arbuthnott: Are you asking about examples from the work that we have already done?

Stuart McMillan: I am asking about examples around shared services, numbers of local authorities, local authorities working together, better practices and so on.

Sir John Arbuthnott: I do not want to stir up the discussion on local democracy again, convener. However, when I worked with eight local authorities I learned that it is absolutely essential that the people in the quite small local areas within those local authorities have elected representatives who are accountable to them and who care about the quality of the service that is being delivered locally. If you get into a mega jigsaw puzzle mode, where you just decide on what will be done there, we will be in real trouble. We must always touch base with what is happening in the local community.

I will try to answer the question. If we look at the split in the spend, about 10 to 15 per cent of the spend is on support services. I hate the term "back

office” because they are not back-office services: they are services that support people. Asset management, which is infrastructure, accounts for about 35 per cent of the spend. The front-line services—education, social services and related services—account for about 50 to 55 per cent of the spend. That split applies across most public services.

In the work that has been done so far, the most promising examples are undoubtedly when local authorities get together with real commitment in relation to commissioning. When that works you drive down the cost, improve efficiency and control the delivery through the contract. That applies to children’s and adult services and to learning disability services.

In waste management, there are distinct advantages in authorities working together. At present, there is a formal and binding inter-authority agreement involving five local authorities in the Clyde valley area. It is called the Clyde valley waste management initiative. It is on track and it is in the *Official Journal of the European Union*. It is well ahead on its planning and regulation and so it should be in place ahead of the proposed landfill ban. I consider that to be a real success. Five authorities have realised that landfill is a huge problem that they can solve by working together. That is one positive example.

Recently, four local authorities have been working on a revised management service for their support services. That project is being led by a private sector partner. It involves handling all the data for those local authorities of the 10 to 15 per cent of the spend that I mentioned.

We are beginning to see green shoots. There is still a lot to be done, but we have some clear evidence that when people have stuck at it—it is work that has perhaps taken two or two and a half years to come to maturity—that local authorities can work together.

The Convener: Sir John, you are describing a situation in which, in some cases, the work has basically been driven by timescales—certain things are almost inevitable, particularly in terms of dealing with waste. However, as you have said previously, a lot of the other things that were suggested in the Clyde valley partnership have been parked.

We are talking a lot today about the major success stories, but I am aware that there has been a huge amount of failure. Either things have been parked—left till tomorrow—or, in some parts of the country, schemes have been abandoned. I am happy to talk about success—that is grand—but at the end of the day we are still seeing, as a committee and in the country as a whole, situations in which shared services have been

talked about for a long time but have never come to fruition.

Sir John Arbuthnott: I was asked to give examples of successes so I gave them. I absolutely agree with you: there have been many instances in which things have been parked. In many cases, the reason why they have been parked is less to do with the programme of progressing and sharing services than with political uncertainty. The politics are very important: as you know very well, the idea of a council giving up control of its own system is a sensitive one.

The Convener: I understand that. On the current situation with regard to the sharing of good practice—which often does not happen—I am really interested in what Dr Black said in his submission about

“a safe space for learning and knowledge”.

I feel that there is sometimes unwillingness in many places to share good practice. It is a case of “I’m not letting them steal my ideas.” Will you expand on your idea for a safe space for learning and knowledge, Dr Black? The idea intrigues and excites me.

Robert Black: Thank you for the opportunity. Reflecting on the many years in public life that I have enjoyed, I think that by and large in Scotland we have not had nearly enough of an appetite for finding out what really works well in different parts of Scotland, learning about it and understanding it, and then to transporting it to and developing it in other places. There is no doubt that it is an area in which we still have a lot of unfulfilled opportunity.

You can dip into myriad Audit Scotland reports and find examples of good practice peppered throughout them. However, there is no systematic way of developing a deeper understanding of that knowledge and of thinking about what lessons could be taken elsewhere.

If I may say so, it is an issue for elected representatives as well. They cannot be expert in all the complex fields of public service delivery, so it would be useful to have a way of helping them to understand what is happening really well in parts of Scotland and to say to people in their own patch, “Can we not have some of that stuff?” It would, in a sense, provide a degree of authorisation and a challenge to encourage innovation to happen more swiftly throughout Scotland. That is one theme.

The second theme is that, as Sir John has eloquently described, so much of what is going on in Scotland at the moment is not going on in the old stove pipes of local government, the health service or police service; it is being joined up. There are some really good initiatives developing

out of partnership working throughout Scotland. From my limited understanding, I think that the partnership in the west of Scotland between the police and the local authority on community safety is going really rather well. However, where is the place where we can arrange for people to sit down together? Where is the place where we can help elected representatives to understand what is happening elsewhere and be impatient to see some progress in their own patch?

11:45

All those aspects need to be brought together. I talked about the old-fashioned stove pipes. Think about the vertical stove pipes as the NHS and think about the different flows in the building. We have the leadership forum at the top chaired very well by Sir Peter Housden and various other initiatives, but they do not necessarily connect as well as they should. There is something to be gained by bringing the voluntary sector and, where appropriate, the private sector into those discussions.

In Scotland, we do not have a single, powerful place where knowledge and understanding can be shared in a way that is tolerant to different points of view and allows different experiences to be expressed but does so with a degree of structure so that the learning can be captured and taken forward. That may sound a bit abstract, but there is a need for it in Scotland.

I am back to where I started on small government. Scotland should be able to do that stuff really well. It is a low-hanging fruit. It would take a bit of work, but we could do it. We could do a lot better than we do at the moment.

The Convener: We seem to be drifting, gentlemen, which is always the case when we have eminent witnesses. We need to get back on track.

John Wilson: I will try to concentrate on the questions that I agreed to ask earlier, but I have some questions on Sir John Arbuthnott's comments on the Clyde valley review, too.

Sir John Arbuthnott can correct me if I am wrong in my assumption, but my understanding is that the review was intended to bring eight local authorities together to try to come up with a common direction, a common objective and shared service delivery. He said that five local authorities have signed up to shared waste management and four have signed up to revised management services.

Can the eight authorities dip in and dip out when they do not think that the services that will be delivered under the review will suit their needs? Sir John Arbuthnott has given good examples of

Stirling Council and Clackmannanshire Council working together and some of the Lothian authorities working together, but has the Clyde valley review ended up being a pick and mix? Only 50 per cent of the authorities in the review bought into the revised management services.

Another example that I know from the early days of the Clyde valley review is IT services. One authority was a leading expert on IT services for local government, but the other seven authorities refused to buy into its expertise and skills. We have the skills and expertise within certain local authorities but, as has been said, the barrier to sharing that is an unwillingness on the part of the civil or political leadership of some local authorities.

Sir John Arbuthnott: I will give a short answer to that. I could give a very long answer to it, but many painful experiences would then emerge, and I do not want that to happen.

I was not in a position to compel. That was not in the remit. The remit was a voluntary coming together to review and come up with possible ways forward, which is what happened in the year that I did the review. I left behind a clear road map, but it was always for the members of the consortium to choose which projects they would buy into or not because that is the nature of local government.

You are correct that the review did not come up with a prescription that had to be followed. I would not have got past meeting 1 if I had done that. Although authorities have gone their own way, we have made some progress as well. I hope that it is clear what I was asked to do and that I did it.

Perhaps the review came a little early in the evolution of the political state that we are in at the moment. If it had come later on, we might have had a better chance of getting more buy-in. However, it was still worth doing.

Stuart McMillan: I want to follow on from the discussion about shared services and working together. It might be unfair to pose my question, Sir John, but I will pose it nonetheless, and you can either answer it or disregard it.

Was there a sense of intimidation—for want of a better word—among the smaller local authorities in the Clyde valley review due to the number of larger local authorities that were involved? Was there perhaps too much of a conflict between the larger and the smaller authorities?

Sir John Arbuthnott: Again, I will be brief.

At the beginning, people talked in that way about the problems that might be associated with the review. All that I can say is that everybody kept to their commitment. The authorities nominated their bright people, who knew all about the

services, supplied information to Bob Black and his colleagues in auditing, and looked at the future, the budgets and what might have to be controlled. Those people came from all over the area. There was no constraint by leaders or other members of the councils. They did not say, "We're not putting anybody in there." That aspect worked very well.

We are talking about local authorities with different political priorities and objectives, which will always look over their shoulders and say, "How is this going to affect us? It might be better for us in Inverclyde to start working with the three Ayrshire authorities than to work with these guys." That kind of reflection happened, but the attitude was, "Let's make a start at this, see how far it goes, and see what happens." That is what they did.

Robert Black: I would like to offer a thought about that and come away from individual examples, whether in the west of Scotland or wherever.

As we go forward with shared services, it is important that we try to get everybody marching in step. If, for example, a body has moved forward with its IT strategy and made a commitment to a certain contractual relationship for service provision, there will be a business case for that and certain benefits will be assumed. Let us say that that has been off and running and then, a few years later, another body says, "Let's set up a shared service contract." If I were the chief executive of the first body, I would say, "Well, hold on a minute. We've got a business plan in place and we're getting the savings driven through. By all means, we are willing to talk about how we might put things on to a shared service basis, but it would be uneconomical and not best value for us as an individual authority"—or board, or whatever—"to pull out of the contract that we have entered into. Therefore, the answer has to be to come round us."

To the outside world, that might appear to be a bit like the big brother approach, but there will often be sound business reasons why it is difficult for public bodies to come together. We need to recognise and respect that, which is why a strategic approach is really important. I said earlier, and John Arbuthnott is implying this, that we should have started such initiatives on a more strategic basis many years ago, because we are struggling with that now.

The Convener: Jamie McGrigor and John Pentland have supplementary questions. I am keen to ensure that we talk about strands 1 and 2 and the public impact.

Jamie McGrigor: I have a question about preventative spending, if that is all right.

The Convener: We will come back to that in a little while.

John Pentland: Mr Black, you talk in your submission about "Pressures on public services". Would shared services probably have alleviated some of those pressures, or do the pressures exist because of local government's declining share of Scottish Government expenditure?

Robert Black: If I may say so, those are two separate questions. Undoubtedly, a well-planned and strategic move toward shared services at an earlier stage would have generated significantly greater efficiency savings than have so far been achieved. We all recognise that progress has been slow, and the answer to whether we should have acted earlier is yes. However, for all the reasons that I think we are recognising, it has been difficult to do that.

Frankly, funding from central Government is purely a policy matter on which I do not think that I am really qualified to speak.

The Convener: Stewart Stevenson has questions that relate to strands 1 and 2 of our inquiry.

Stewart Stevenson: Based on what we have heard so far, I want to try to elicit a yes/no answer. In business, we would take the attitude that it is better to decide a question without debating it than to debate a question without deciding it. On the basis of what we have heard this morning, it appears that the opposite might be true in public services. Am I being grossly unfair, or does that have something in it?

Sir John Arbuthnott: That is a Bob Black question.

Robert Black: Thank you—you owe me one.

There is a serious issue in there, which is that in the public sector it is important that we think strategically about the direction of travel and that we test different models of service delivery before we commit, because we can pay a high price if we get things wrong.

I have spoken out fairly unreservedly about the fact that, over the past 10 to 12 years, a number of Scotland's public policies were pushed through very quickly—for understandable reasons and because people wanted to see results—whereas on reflection we might have decided to test them out on a smaller scale first before we committed. I am in favour of encouraging everyone in the public sector, whether in central Government, local government or whatever, to think seriously about testing out new policy initiatives before committing significant resources. That is kind of a halfway house.

Stewart Stevenson: I suppose that relates to the old saying that you find oil only if you drill enough dry holes.

I want to ask specifically about partnership and joint working and whether the community planning partnerships are making a sensible and useful contribution. Paragraph 27 of the RSE submission states:

"It is essential if the CPPs are to be the agents of change ... that their authority is strengthened."

The phrase

"if the CPPs are to be the agents of change"

is the key. Are you yet convinced either way whether they can be, should be or will be such agents?

Sir John Arbuthnott: Let us take the example of the integration of health and social care in the delivery of health and social care for older people. Taking account of the demographic changes that I have mentioned, we know that the issue is now hugely challenging and is going to happen. The only way in which that integration can be delivered is by agreement and partnership between the local authorities and health boards. In my view, that should happen through the community planning partnerships. It will have to happen if we are to deliver the services together and manage the money.

This is second-guessing what will come from the consultation on the Government's proposals on the issue, but I would be surprised if the response did not suggest that we must have a much more common way of addressing the projected costs, expenditure and delivery. That will be a joint process and, unless we have a means by which we can bring together local authorities and health boards, it will not happen. However, integration will happen, because it is Government policy. Community planning partnerships seem to me to be the way to make it work, which is why we make that comment in the submission.

12:00

Stewart Stevenson: You have specifically said that, if CPPs are to be agents of change, their authority needs to be strengthened. Is that implicitly saying that, at the moment, they are not agents for change and that, therefore, the jury is out on whether they have been successful or have added value?

Sir John Arbuthnott: Looking back, we could say that they have not been as productive as agents of change as I would have hoped them to be. We must remember that the police force and the fire service are in community planning partnerships, too. The fire service and the police force are now completely reorganised, and it is

likely that there will be substantial reform in local authorities. The nexus will be something like the community planning partnership. That is my personal view—I am not speaking on behalf of all the fellows who wrote the paper.

Stewart Stevenson: So, if we did not have them, we would have to have something very like them.

Sir John Arbuthnott: I think so, yes.

Stewart Stevenson: Dr Black's submission, at section 5, on partnership working, is not specifically about CPPs. Nonetheless—and picking up on the work of the Christie commission—you make the point:

"Audit Scotland reports over the years have highlighted the mixed performance of partnerships on the ground."

You then give a list of eight bullet points with the conditions that are necessary. How many of those bullet points are already in the system that is community planning partnerships, or are we starting with a blank sheet of paper to which your eight bullet points need to be added?

Robert Black: We are certainly not starting with a blank sheet of paper. One of the common findings from all the work that Audit Scotland has done in this area—I am now speaking personally and privately on the basis of my previous career—and one of the common themes that came out of it was the enormous diversity and difference across Scotland in how partnerships organise themselves and in how they have gone about their business.

It is important to say frankly that, in far too many areas, we found that the partnerships were not contributing the value that we might have expected in improving the quality of service delivery and in getting costs down and quality up. The Audit Scotland website has many examples of that. When we examined community health partnerships in 2011, we found serious issues around the need for significant improvement in financial scrutiny and performance monitoring, for example. That is quite a basic issue, concerning resources.

Just a year ago, in March 2012, we did a report on the commissioning of social care. Again, we found that the quality of the commissioning by partnerships was not up to standard in large parts of Scotland. At the same time, however, and as John Arbuthnott has been describing, there are parts of Scotland that are starting to do that rather well. There are some promising developments, and we need to learn from them quickly, encouraging and requiring those in other parts of the country to adopt the best practice that is coming through.

Stewart Stevenson: At section 9 of your submission, where you discuss benchmarking, the

context relates to a Scottish commission on resources and performance, but I take it to be of more general applicability. You have mentioned diversity. I got the sense that you thought that diversity was good—of course, the needs of the Western Isles, Orkney and Shetland are quite different from the needs of central Glasgow—but to what extent will benchmarking, and the SOLACE initiative that has been referred to previously, really help?

Sir John was speaking about data, and he was essentially addressing the difficulty of comparison—we do not have normalised data. Where do we go from here, and how do partnerships make a contribution? Specifically, how do we help community planning partnerships to take all that big, intellectual stuff and turn it into something that is deliverable?

Robert Black: As my note says, good benchmarking is hard to do—it takes a lot of time and investment. Proof positive of that is the time that local government, with the Improvement Service, has taken to reach a point where it has a set of indicators that everyone has signed up to and where the data has been cleaned out so that we can reach useful conclusions about it. If good benchmarking was easy to do, it would have been done a long time ago.

I will develop that theme a little more. It is very important that the data that comes out of a benchmarking exercise is interpreted well. In measuring educational attainment and the costs of school provision per pupil, the context in an area of deprivation differs from that somewhere up in the north of Scotland, for example, so we need to interpret the data carefully.

There are two risks, one of which is that—to be frank—the media and people with an eye for the main chance take one indicator, such as measured attainment in one local authority area, and conclude that the education authority is poor. That reduces the exercise's value; people get dispirited by it and say, "That's the last time I'm engaging in anything like that, thank you very much," and politicians say, "There's an election coming up in 18 months, so we'll have no more of that benchmarking stuff, if you don't mind." I am speaking frankly, as I can do now that I am retired. Such issues are real, so we need places and organisations in Scotland that are trusted to interpret such material well.

Good benchmarking is hard to do because it takes a lot of hard work and a lot of good analytical expertise. That is really difficult for partnerships, because their staff are all under huge pressure. One issue is support from the centre to help people to do benchmarking well.

Members might recall that Audit Scotland did a piece of work on the economic development function, which was devolved to local authorities from Scottish Enterprise. We produced a report on partnership working that used that function as a tracer condition. We found that remarkably many parts of Scotland did not have the basic data that would enable them to understand the nature of their local economy and design their interventions, because local economic analysis is a skilled task.

Partnerships must be enabled and supported to work better. We do not do enough of that.

Stewart Stevenson: I will pick up on that and put to you a proposition, with which you can of course fundamentally disagree. You talked about the external use of benchmarking by others to make judgments about what is going on but, in my view and in my experience, benchmarking is about the value that is derived internally, through helping organisations to identify good practice elsewhere that they want to steal.

If the focus in benchmarking is external, does that carry the risk of driving down preparedness to take risks, because of the fear of external scrutiny and comment? If the focus is internal, that minimises risk and encourages good behaviour change, because other success stories can be copied and people have a story to tell internally for themselves and others. Benchmarking is not about another set of metrics for the outside world; it is about helping the organisation to help itself. Am I characterising benchmarking unfairly, or do you see it in that way?

Sir John Arbuthnott: I will give an example that goes way back to when I was asked, just before the Scottish Parliament was established, to look at the formula for allocating health resources. I was asked to do that because of a growing view that the allocation did not take account of the health inequalities across Scotland. I was asked to address that and come up with a new formula, which is still used.

We did not go out and ask people what was right or wrong about the issues that should be on the list. I will describe what we did, which is sometimes necessary to do to get a practical outcome. We had a list of about 20 indicators that we could have fed into the formula, but it would have been totally unworkable with 20 indicators. We used four indicators—perhaps this is an admission—but they were not the top four indicators; they were the four indicators that would reproduce themselves year on year. That took care of our redistribution of resource and matched where the differences in health inequalities lay.

One of the inequalities that were very important, which we also worked in and which was glaringly obvious, was that people in remote communities

are further away from anything else. The distance factor, particularly in relation to the islands, was added to the process. We then had something that was a fairly reasonable measure of inequalities and which took account of remoteness and the particular situation of remote communities. That was introduced not instantly in one year but over a period of about five years, which enabled a transition to occur. It is probably the Scottish Government's biggest piece of expenditure.

There are lessons to be learned here. You can go into the fine detail of differences and inequalities, as Bob Black said, in relation to education, but focusing on one or two aspects will divert you from the general objective. All that local government and national Government can do is to make absolutely the best efforts to provide resources that meet the need—and that is what happened in the case that I described.

Anne McTaggart (Glasgow) (Lab): Welcome and good afternoon, panel. I want to pick up on a point that Sir John Arbuthnott made earlier. In a number of other areas of its work, the committee has noted a disconnect between the centre and ground level in the delivery of public services. If such a disconnect is endemic, what is the impact of that on public service reform, particularly on the benefit of shared services?

Sir John Arbuthnott: Could you repeat the question? I am not clear what the disconnect is.

The Convener: It is the disconnect between the centre and the ground level. I think that Ms McTaggart's point is about what is happening on the ground compared with what is happening in the CPPs, for example.

Sir John Arbuthnott: I think that Bob Black has drawn attention to some of the work that has been done in that area and where he thinks that, with a continuing process whereby we set out to look at the outcomes in a more systematic way, we could get a better handle on the issue. However, the nub is the issue of locality and the delivery of service.

It would take too long to go into the discussion now, but what you have identified is a pretty important point, because we cannot generalise about localities. There are localities in all parts of Scotland that have individual characteristics—perhaps the ferries do not run frequently enough or there are basic problems with the road system or the rail system that mean that the area cannot be directly compared with others. As a result, the citizens in the area find themselves, because of the general formula, worse off in some way or not faring as well as they should, which can cause a feeling of unfairness. That feeling will be expressed through the local political system and there will be some kind of shindig, as we have

seen with ambulance services in remote communities, for example.

I do not think that I would be in a position to solve all those problems now, but I just want to acknowledge that we provide police, fire, health, local authority and all other such services for the benefit of the people who live in those areas. We should be running not just a financial system but a system that benefits the public at all levels. As you have pointed out, that is very difficult.

12:15

Robert Black: Coming at the question from a slightly different direction, I think that the Christie commission was spot on when it emphasised the importance of effective partnership working at a local level. As Sir John Arbuthnott has so eloquently pointed out, that is the level at which you get a good understanding of local problems and can cope with Scotland's diversity.

One of our biggest challenges is how we make partnerships effective, given the limited number of busy people who are delivering services, who are running local authorities and health boards and who all have different priorities and interests. We cannot address that huge challenge overnight, but the Parliament needs to think through how partnerships can be accountable for what they do and how that can best be organised. If you look back at the large number of Audit Scotland reports on partnership working, you will find that, as I mentioned earlier, there are pretty challenging messages about partnerships not working terribly well. If we are to take the Christie commission proposals seriously, we need to find ways of breaking through that and ensuring that, not just in the parts of Scotland that are doing very well but across the whole of Scotland, we learn from what works well, translate that experience and transfer that knowledge quickly to other parts of the country and require people to address these issues seriously.

Sir John Arbuthnott: Although, as Bob Black has pointed out, not much progress was being made between 2002 and the end of the first decade, a lot of money was still being spent. When I and others looked at the product and benefit of that spend, we found both to be pretty limited; in fact, it had been very unproductive. We are not going to make progress by saying, "We've got a problem so we'll spend this on it." We have to know what we are spending our money on and what the benefits will be.

The Convener: Thank you for that. Did you want to come back on that point, Ms McTaggart?

Anne McTaggart: What role should communities and community representatives play in the public service reform process?

Sorry for muddling things up, convener, but I note that, when we sought people's experiences, we found that not many community representatives had had their views sought on certain decisions. How can communities impact on CPPs and the public service reform process?

Sir John Arbuthnott: My most recent experience of this was not with local authorities but in the review that I carried out on providing resources for care of the elderly. Most of the work involved people going around Scotland speaking not just to officials but to local people, and we were taking soundings on the basic experiences of people who were in severe distress because they did not know how their elderly relatives were being looked after. They were making 15, 16 or 17 phone calls a day, trying to find someone who knew when the elderly person's bed was going to be moved, whether they were coming back home and who was looking after them.

The synthesis of that experience convinced me that fundamental reform of the integration of health and social care was not just necessary but essential. The people who receive this benefit and the families and carers who look after them must be informed and the pathway of care has to be clear. At the moment, it just isn't. That is my very blunt answer.

The Convener: Thank you. We have several more questions that need to be asked, gentlemen. I know that time is limited and you have been in the hot seat for quite a while, but if you bear with us, we will try to finish the session by 12.30.

Jamie McGrigor: Sir Robert, you discuss preventative spending at some length in your paper. I believe that it is a key to lowering costs and providing better services, but you state that, when it comes to the preventative spending agenda, "the data is insufficient". In what ways is the data insufficient? Is it due to an underlying lack of political will when it comes to preventative spending?

Also, you state:

"There is a need for evidence-based analysis of the programmes and services which contribute most effectively to prevention."

What should the Government or the Parliament do to produce that?

Robert Black: That is a perfectly fair question and a very big one, if I may say so. I am absolutely certain that there is not a lack of will, but the Scottish Government's financial planning and reporting systems and the way in which they are considered in the Parliament are still in need of further development. I do not believe that there is any doubt about that.

The background, as I am sure I do not need to tell the committee, is that in the last financial year the Scottish Government made a significant commitment to preventative spending of about £500 million, which was widely praised. There are three specific funds—the change fund for older people's services; the early years and early intervention change fund; and the reducing reoffending change fund—so we can identify where that money goes. However, if we look at the big numbers, public spending does not move terribly much year on year between one service and another or one part of the public sector and another.

There is continuing improvement in the quality of information that is provided to the Parliament's Finance Committee about the spend and where it occurs, but there is still a significant disconnect between the Scotland performs framework—which is the ambition for where the Government wants to go in terms of outcomes—what services are contributing to those outcomes and, within them, what spend is taking place that will reduce the need for services further down the line and improve the quality of life for people out there. That is really difficult to do.

In other places, I have given the example of so-called services that are free at the point of delivery. I have been traduced in some places and accused of being against such services, but nothing could be further from the truth. We must recognise that free eye testing can be construed as preventative spending because, as we know, medical conditions can be detected early in that way. We can even go as far as to say that about aspects of the new contract for general practitioners, which was introduced a number of years ago without adequate thought being given to the performance framework, although the NHS has been catching up on that. Given some of the screening work that is now done in GPs' surgeries, there is evidence that we can attribute spend on the new GP contract to reductions in the incidence of strokes, for example. That is at an extreme end of the spectrum.

We just need to get much smarter and sharper at thinking through why we are spending the money that we spend, what we expect the outcomes to be, whether we are getting those outcomes and whether they can be attributed to that spending. That is a tall order, but we have to do more of that work than we have done in the past, in my opinion.

The Convener: Sir John, do you want to add anything to that?

Sir John Arbuthnott: I agree with what Bob said, but I will comment briefly.

I put this point to a meeting of the Finance Committee that I attended, and I now put it to this committee. Policy changes are introduced by Government for genuine reasons, but what happens as a consequence of them is not followed through except when somebody chooses to question it or when Audit Scotland's figures show that what is supposed to be happening is not happening. I would like to see more of a continuous review process within the committee structure of the Scottish Parliament. In a way, that is putting the issue back to you, convener. I think that the committee's work on this topic is fundamental, and I hope that it does not peter out. Once you write the report, what happens to it? That is like you asking me, "You have done your study, so what has come out of it?"

The Convener: Given the effort that is being put in—this is strand 3 of our inquiry—I do not think that many of us will sit and watch it peter out, to be honest. I hope not, anyway.

John Pentland: Sir John, I thank you for that comment. You have certainly been suggesting that we need to try to scrutinise the budget all the way through. Does Scotland perhaps need an equivalent of the Office for Budget Responsibility?

Sir John Arbuthnott: I am not sure. Sometimes when I listen to "Newsnight", I wonder what that organisation is actually doing, so I cannot give it a full, whole-hearted endorsement. I will hand over to Bob.

The Convener: I think that many of us are in the same boat, Sir John.

Robert Black: I will try to give a reasonably full answer to that.

Clearly, we are in a totally different spending environment. That is the first point. Secondly, the Scottish Parliament and Scottish Government will in very short order accrue new tax-raising powers, which will be a significant change. Revenue Scotland has been established by the Scottish Government to think about some of those things. Certainly, over the years there has been a strengthening of the Scottish Government's finance and treasury function, which I think is to be commended. Over the years, I have thought that that was necessary and it will help.

We need to recognise that the prime responsibility of the team in the Scottish Government that provides the financial analysis is to the Scottish ministers who are the Government of the day. That is entirely appropriate. The idea behind the Office for Budget Responsibility was to have an external body that would help to set the scene for the whole debate around public spending by being independent of Government and having a degree of integrity and expertise in that area. There is some value in that, also.

However, Scotland is a small country. It is all too easy—we can see this across many aspects of public life—to end up with quite a fragmented response, with lots of small units. If we are to move in the direction of creating that kind of capacity, I would come back to the thought that I shared earlier about creating one entity that would provide really good analysis across the whole of public spending. We cannot afford to have lots of different units. Those skills are scarce on the ground if we want to get really good people to do that kind of stuff.

I think that there is a case for the Parliament to consider seriously whether we need to strengthen that independent analysis of not only the public finances, but issues such as the productivity and performance agenda that we have been talking about this morning, which involves the same type of skills. We do not need an OBR—sorry, I have forgotten its full title—

The Convener: It is the Office for Budget Responsibility.

Robert Black: We do not need an Office for Budget Responsibility, but we could take a leaf from its book and create our own novel, so to speak; our own storybook.

The Convener: Mr Pentland has a further couple of quick questions.

John Pentland: I will put my two questions into one. Obviously, times have been challenging for local authorities over recent years. Do you have a view or opinion on whether local authorities have been successful in developing new ways to meet those challenges in recent years? What should be the driver or primary goal for developing those new ways?

Robert Black: The short answer is that I think that local authorities—and, indeed, all public sector bodies—have managed their way through the last two years of financial retrenchment remarkably well. As the committee knows only too well, the challenge started when the Government of the day imposed top-down efficiency targets. Although it was difficult for Audit Scotland to provide strong, audited numbers on that, there was enough information around to indicate that local authorities, health boards and other public bodies did remarkably well in driving down the costs while maintaining the services.

Has local government and the rest of the public sector done well? Yes, I think that they have. However, that does not mean that there are not great opportunities for improvement.

12:30

Sir John Arbuthnott: We are only about half way through this series of savings targets. We are

only just beginning to see the savings biting at the local level. The initial reaction of local authorities has been successful, as Bob said. However, they are now faced with even greater challenges. Therefore, the work of this committee and giving thought to how we are going to plan that in the future are crucial.

John Wilson: We spoke earlier about some of the barriers facing local authorities in delivering shared services. What more could the Scottish Government or the Scottish Parliament do to promote shared services and their delivery throughout Scotland? Do you have any views on how we could deliver those services and overcome some of the barriers that exist?

Sir John Arbuthnott: Earlier, I said that I thought that there would be a more directed, focused approach by the Scottish Government in the not too distant future. I think that that will happen.

What happened with the coming together of the police service and with the fire and rescue service was a fundamental change in the approach to the delivery of those two services. I would not be surprised if, in the next four or five years—it will take a little time—we see major changes in the form of public service delivery, although I am not quite sure exactly what shape that will take. On the one hand, the pressures on public services will remain but, on the other hand, we are becoming much more sophisticated and skilled with regard to the way in which we examine how savings can be made. I have already indicated that, if you get the right balance of integration between health and social care, we will be able to make much better use of the money for the good of the older people of Scotland.

I think that that can be done and that it will be done. It is a bit premature to guess exactly what will be done, but I think that fairly strong action will be taken. That is just my guess.

Robert Black: I think that we in Scotland—using the collective we, if I may—need to carry on doing more of what we are doing, which is working well. I am thinking particularly of the initiatives that are coming out of Government around shared procurement, changing the rules of the game for NHS national services, to enable them to get out there with confidence and speak to local authorities about developing shared services for some of the support functions.

The work that the Scottish Futures Trust has initiated around capital projects planning and management is good. There are different views about the added value of that but, nevertheless, the direction of travel—which involves centres of expertise that are skilled in procuring capital projects and so on—is right.

The more that we can do to develop, in our relatively small country, centres of expertise that can help the public sector to do that kind of stuff better, the better for Scotland as a whole. We should be doing that.

Audit Scotland published quite a challenging report on the commissioning of social care services last spring—it was one of the last reports to be done on my watch—that dealt with some significant weaknesses in that process across Scotland. We must recognise the fact that it is extremely difficult for each and every individual local authority and partnership to think through best practice in that area. Therefore, providing expertise from across the whole of Government to help that to happen would be useful.

John Wilson: Thank you for those responses.

You mentioned that we should look at how we deliver health and social care for older people and at best practice. Are there any areas in which we need national shared services? Is health and social care for older people an area in which, instead of local delivery involving partnership at health board or local authority level, we should be moving towards a national delivery mechanism to ensure that we have uniformity throughout Scotland in how such services are delivered locally?

The Convener: That was the final question, so these will be your final answers, gentlemen.

Sir John Arbuthnott: We could discuss that subject for quite some time, but we do not have that much time.

The measures that are being considered, which were put forward by Nicola Sturgeon when she was the Cabinet Secretary for Health, Wellbeing and Cities Strategy, deal with the main issues. They deal with the responsibility for delivery, with the absolute priority of delivering the service that is needed to the individuals concerned and their families, and with how the money is distributed, budgeted for and delivered. I do not know what the outcome of the consultation will be, but if we go along those lines, I think that we will be on the right road.

I am not saying that we should move towards a national set of measures, because I happen to know that there are areas in Scotland where the provision of health and social care for older people works magnificently. There are areas where the teams work together, and where the GPs—whom we have not mentioned very much; the GPs are not central enough in the process at the moment—the hospital services, the acute services and the local services are focused on delivering the appropriate care at the best price, using tariffs, for the people of their communities. If we can cascade that—I think that Bob is saying that we should

cascade the best practice—we will make a great deal of progress. If we launch into a completely new system, it will take a long time to get it right.

Robert Black: I heartily endorse what John has just said. I will add one final thought. It is a case of horses for courses. It is right, for example, that there should be national procurement of things such as energy contracts across the whole of the public service, but the situation is rather different when we get into the commissioning of health and social care services and community services, when we come back to the issue of diversity and difference. That said, ensuring that partnerships are supported with the right skills and expertise to do that well in a local area, in accordance with local needs and priorities, is extremely important, and I think that we need to do more of that.

The Convener: Thank you very much for your time, gentlemen.

I have a number of questions that I have not asked, and I know that some of my colleagues are in the same position. Quite frankly, we could have sat here and probed your knowledge all afternoon. We might well invite you back during the course of our inquiry. Perhaps you can give us some top tips on where we are at. We would certainly be interested to hear more of your thinking, particularly in relation to the Royal Society of Edinburgh's inquiry on reaping the benefits of a digital Scotland, and I am enthralled by Dr Black's suggestion about a safe space for learning.

I hope that it has not been too long a session; we may ask you to come back again. Many thanks.

Sir John Arbuthnott: I look forward to that.

12:39

Meeting continued in private until 12:43.

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