The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

PUBLIC AUDIT COMMITTEE

Wednesday 29 May 2013

Session 4

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CONTENTS

Col.
DECISION ON TAKING BUSINESS IN PRIVATE 1397
SCOTTISH GOVERNMENT PROGRESS REPORT 1398
SECTION 23 REPORT 1403
“Improving community planning in Scotland” 1403
SCOTTISH TEACHERS’ SUPERANNUATION SCHEME 1404
ANNUAL REPORT 1406
SECTION 23 REPORT 1407
“Managing early departures from the Scottish public sector” 1407

PUBLIC AUDIT COMMITTEE
8th Meeting 2013, Session 4

CONVENER

*Iain Gray (East Lothian) (Lab)

DEPUTY CONVENER

*Mary Scanlon (Highlands and Islands) (Con)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)
*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)
*Bob Doris (Glasgow) (SNP)
*James Dornan (Glasgow Cathcart) (SNP)
Mark Griffin (Central Scotland) (Lab)
*Colin Keir (Edinburgh Western) (SNP)
*Tavish Scott (Shetland Islands) (LD)

*attended

THE FOLLOWING ALSO PARTICIPATED:

John Baillie (Accounts Commission)
Neil Bibby (West Scotland) (Lab) (Committee Substitute)
Caroline Gardner (Auditor General for Scotland)
Fraser McKinlay (Audit Scotland)
Gordon Neill (Audit Scotland)
Tommy Yule (Audit Scotland)

CLERK TO THE COMMITTEE

Fergus Cochrane

LOCATION

Committee Room 2

Scottish Parliament

Public Audit Committee

Wednesday 29 May 2013

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

Decision on Taking Business in Private

The Convener (Iain Gray): Good morning and welcome to our eighth meeting in 2013. I remind everyone to switch off their mobile phones. We have received apologies from Mark Griffin, and Neil Bibby is here as his substitute. Neil has attended the committee previously, so he has already declared any interests.

Do members agree to take item 7 in private?

Members *indicated agreement.*

Scottish Government Progress Report

10:00

The Convener: The Scottish Government progress report has been circulated to colleagues. In the report, the Government provides details of progress, as requested, in relation to two of our previous reports—"An overview of Scotland's criminal justice system" from February last year and "Cardiology Services" from September last year. The progress report is one of a series of reports that we asked for. The next one will be on progress in relation to our "Report on the management of patients on NHS waiting lists".

I open the session up for anyone who wants to comment.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): I am generally happy with the responses that we received. I was drawn to the comments on cardiology services and particularly those relating to the keep well programme. I have picked out some paragraphs on page 11 of NHS Health Scotland's "Keep Well impact evaluation 2012-14—End of year progress report 2012-13" about the availability of data and how we estimate value for money, outcomes and so on. They are in an interesting section that describes how difficult it is to assess the success of the programme as a whole by a single means or otherwise. It mentions the difficulty in gathering data and the lack of technical capacity in health boards to extract data.

We have raised the issue a number of times, so I was hoping for something a wee bit stronger than the response, to allow us and future committees to assess the performance and the success or otherwise of things such as the keep well programme. I suppose that there is a common message. I would like us to ask for this to be looked at and strengthened so that data is gathered consistently across the national health service. That would allow us to properly scrutinise matters.

The Convener: I admit that I was struck by the fact that a whole section in the keep well report is entitled:

> "Why is it so hard to tell if Keep Well is 'working'?"

That is a little worrying, is it not? The paragraphs on the availability of data are a significant part of that section.

Willie Coffey: Fundamentally, we need to be able to rely on consistent data in any system if we are to assess its effectiveness. This is another example of that.

The Convener: Yes.

Mary Scanlon (Highlands and Islands) (Con): I picked up on exactly that point. Page 3 of the Government progress report mentions

"the fact that Keep Well was not originally designed as a research study."

That is not an excuse for not having data on where the money goes and what outcomes are likely. It also states:

"a single overall measure of the effectiveness of Keep Well is not possible."

I seem to remember that in the evidence—I think that it was Willie Coffey and the convener who met the general practitioners—the GPs in particular were quite sceptical about the amount of money that goes into the keep well programme, and they implied that it could be better spent elsewhere. The situation is unacceptable.

Having said that, the bottom paragraph on page 3 states:

"The Outcomes analysis study is not yet complete."

I suppose that I took some comfort from the fact that, having spent a few million pounds, the Government is now beginning to look at some sort of outcomes analysis in auditing the trail of money to see whether there has been effective spend in reducing inequalities and addressing cardiology issues.

Like Willie Coffey, I thought that that was an open admission. There does not have to be a research study to have a decent trail of money and to see whether we are getting value for money and whether it is being spent effectively.

At least the outcomes analysis is being worked on and the results will be reported in 2013-14. That seems a long time, but I suppose that something is happening, albeit late.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I do not disagree with what Willie Coffey said. It is clear that there is again an issue with the availability of data. People are saying that that problem has come up again and again. We keep looking at a slice of it. We are looking at the keep well programme and saying, "Well, they should keep better data on that. Maybe we should be asking them to improve that."

Is there not a bigger problem, in that the legacy systems in the public sector do not seem to be fit for the purpose for which we now need them—for information gathering and analysis? Increasingly, we are trying to look at more sophisticated analyses and better ways of doing things, but we are not getting the data extracted. That is a historical matter—the systems were never really set up to cope with that.

I am not sure how effective or how cost or time effective we are being in looking at a slice at a time and saying, "This needs improved and that needs improved." The reality is that the whole public sector has an issue with data gathering. Perhaps we should consider whether it is possible to suggest that a long-term programme be put in place comprehensively across the public sector.

Bob Doris (Glasgow) (SNP): I apologise for being slightly late this morning.

I will make a brief comment, which impinges slightly on the Health and Sport Committee's remit. I know that we are the Public Audit Committee and I agree that we have to look at the best spend of money and quality outcomes but, when we talk about tackling health inequalities, it is reasonable to say that short-term outcomes analysis is notoriously difficult, although important, in healthcare. I commend our committee for continuing to scrutinise the matter, but we have to give the caveat that a long-term approach to tackling health inequalities is vital. Just because we do not have very focused outcomes in a relatively short period, that is not a reason not to stick to the long haul in tackling health inequalities.

The Health and Sport Committee is doing a significant inquiry into health inequalities. I think that that committee would be keen to look at how we can get the best outcomes from spend. However, I put it on the record that we have to be in this for the long term, and we should not rush to judge based on short-term outcomes.

The Convener: Is the keep well programme one of the programmes that the Health and Sport Committee is likely to look at?

Bob Doris: The short answer is yes, but I do not think that that committee will look at it specifically; it will look at the programme under more general themes. I would be keen for the Health and Sport Committee's clerks to update members on where we are going with the keep well programme for their information, if that would be helpful.

The Convener: I am sure that it would be.

Mary Scanlon: It is not a case of the short term or the long term; there is no single overall measure of effectiveness—that is not possible to have. I appreciate that inequalities are generational, but there is still nothing to measure for the next generation.

Willie Coffey: It would be useful for the committee to have some understanding from the accountable officer of how they see their evaluation of keep well. The programme is doing a really effective job. It was established in 2006, and self-evaluation tools are available to a range of organisations. I would expect a wee bit more self-evaluation at least to give us an indication of how bodies think that they are performing. I am pretty confident that they are doing quite well in the areas that we have covered.

The Convener: We need to decide how to deal with the progress report. We can simply note what the report says or we can write to the accountable officer for further clarification. Mr Coffey has suggested that we write to the accountable officer to pursue the point, which Mrs Scanlon also raised, of how the keep well programme's success and value for money, which we are interested in, will be judged, given that the interim report indicates problems. I will come on to Mr Beattie's point in a second. First, do we agree to do what has been suggested?

Members *indicated agreement.*

The Convener: Mr Beattie makes a fair point—Mr Coffey referred to this as well—which is that, whatever we look at, we continually seem to come up against issues of data handling and of information and communication technology. However, to look at all that across the public sector would be a very big piece of work. We must also bear it in mind that we could not at our own hand launch such an inquiry.

I suggest that we consider writing to the Auditor General for Scotland. She has heard the exchange, as she is in the public gallery, but I suggest that we write to ask her formally whether there is any way in which Audit Scotland could look at that issue across the public sector rather than constantly doing so in slices, as Mr Beattie described it. Would that be helpful? It seems quite a difficult undertaking, but I think that Audit Scotland might have a view about how it could be done.

Willie Coffey: It might be worth while getting the Information Services Division's view on the matter as well, because it has a broad picture of everything that happens across the public sector and in health boards in particular. It must have a view about the clarity and consistency of the data that it gets from different areas in the public services. It would be useful to get its take on the issue.

The Convener: I think that we could do that as well.

Mary Scanlon: Yes.

The Convener: Do we agree to write in the suggested terms about keep well to the accountable officer, who I guess will be Derek Feeley of the national health service; to write to the Auditor General about the possibility of undertaking a thematic investigation; and to ISD to ask the question that Willie Coffey suggested?

Members *indicated agreement.*

The Convener: Is there anything else on the progress report?

Mary Scanlon: How regularly do we get reports on the criminal justice system?

The Convener: I will ask for the clerk's advice on that, but I think that we would have to ask for a further progress report. The progress report in front of us is the one that we asked for.

Mary Scanlon: So we do not get such reports as a regular item.

The Convener: No.

Mary Scanlon: Okay, that is fine.

Section 23 Report

"Improving community planning in Scotland"

10:13

The Convener: Item 3 is a response from the Minister for Local Government and Planning on the section 23 report "Improving community planning in Scotland". The key question that we asked was about the degree to which the proposed community empowerment and renewal bill would address some of the issues that we raised. The Government's straightforward answer is that it regards that bill as the legislative vehicle for the proposed changes. It is probably worth noting that the Local Government and Regeneration Committee is also looking at community planning and that it has received a copy of the minister's correspondence, so it is aware of the exchange. Does anyone want to raise anything?

Mary Scanlon: The minister's letter states that

"it is envisaged that these changes will be included in the Community Empowerment and Renewal Bill",

which will create a "statutory duty" and "formal requirements". We therefore just have to take it on trust.

The Convener: Should we just note the correspondence?

Mary Scanlon: Yes.

Scottish Teachers' Superannuation Scheme

10:15

The Convener: Agenda item 4 is correspondence on the Scottish teachers' superannuation scheme. Following a letter that we received from Mr Swinney, drawing our attention to an error in the calculation of the liabilities for the Scottish Public Pensions Agency, we wrote to ask him how the error had come to light and what impact there had been on public spending as a result of the mistake. We also wrote to ask the Auditor General whether she was satisfied that the proper checks and balances were in place. We have received responses from Mr Swinney and, at his request, from the Government Actuary's Department and from the Auditor General.

Do committee members have any comments?

Colin Beattie: The responses seem fair enough.

Mary Scanlon: It is worth recording that the gentleman from the Government Actuary's Department states:

"I was very upset ... and offer my full personal apology."

We should certainly accept that gracious apology.

On the £77 million involved, I recall that the most recent Audit Scotland report on pensions revealed that the teachers' pension fund had the biggest deficit, which was of £240 million. The amount involved is not only significant but relates to a fund that has the biggest deficit in the whole of Scotland's public sector.

I did not quite understand the paragraph at the bottom of page 2 of the letter, which states that

"the approach followed lacked a process checklist".

The Convener: Are you referring to the letter from the Government Actuary's Department?

Mary Scanlon: Yes. At the bottom of page 2, the actuary states:

"the approach followed lacked a process checklist of the nature necessary for a team working away from GAD's main office".

My concern relates to the next paragraph, at the top of page 3, which starts:

"Having regard to Scottish Government's requirements for actuarial support over the period to the independence referendum in September 2014".

It is not entirely clear how the Government's requirements for actuarial support leading up to the referendum will impact on pensions and other things. Far from giving me reassurance, that leads me to a bit of doubt. I wonder whether there are additional pressures on the department because of the referendum and whether it has all the staff that it needs to carry out its job.

James Dornan (Glasgow Cathcart) (SNP): The letter makes it clear that, even if the Scottish Government was looking for the department to do something extra in the run-up to the referendum, the department has said no, so it cannot be under any extra pressure due to the referendum. I am not sure why the issue is mentioned in the letter, but I do not see how it can be read from the letter that the Government Actuary's Department is under extra pressure.

Mary Scanlon: The paragraph at the top of page 3 continues:

"we have concluded that it would not be appropriate, for the foreseeable future, to build up a team in the GAD Edinburgh office with the necessary critical mass to provide that support."

That just led to some doubt in my mind.

Willie Coffey: To go back to the main issue—I do not know why the referendum is mentioned in the letter—I think that it was a refreshing change to read the response, in which the actuary Mr Llanwarne apologises and indicates that the error was not the Scottish Government's fault. I suppose that it is very unusual for actuaries to get something like that wrong.

I point out that the last sentence on page 1 of the Auditor General's letter states that the error

"did not affect the scheme's net expenditure for the year or outturns on the Scottish budget for 2011/12."

Basically,

"The error affected the element of the valuation that reflects technical changes in actuarial assumptions".

I do not pretend to understand fully what that means, but I am comforted by the Auditor General's comment that the error did not affect the outturns on the Scottish budget for 2011-12. I am content with the responses.

The Convener: That seems a fair summary. The two key issues that we raised were who was responsible for the error and what impact it had on public spending. The answers that we have received are very clear and reassuring. Do we agree to note the correspondence?

Members *indicated agreement.*

Annual Report

10:20

The Convener: Agenda item 5 is our annual report. When we considered a draft of the report at our previous meeting, some small changes were suggested, which the clerks have now made.

If members have no further amendments to suggest, do we agree the annual report?

Members *indicated agreement.*

The Convener: We have been joined by Mr Baillie—his timing is absolutely impeccable—for agenda item 6. I will suspend the meeting for a couple of minutes to allow him to get his breath back and to let our witnesses come to the table.

10:21

Meeting suspended.

10:24

On resuming—

Section 23 Report

"Managing early departures from the Scottish public sector"

The Convener: We are considering the section 23 report, "Managing early departures from the Scottish public sector", which is a joint Auditor General and Accounts Commission report. We have with us the Auditor General for Scotland and Mr Baillie, the chair of the Accounts Commission, along with Fraser McKinlay, Tommy Yule and Gordon Neill, who are all from Audit Scotland. Welcome to you all.

Caroline Gardner (Auditor General for Scotland): Our joint report is a bit unusual for us. It is very much intended to remind organisations of the principles of good practice for managing early departures. It also provides information on the extent to which Scotland's devolved public sector uses early departures and gives some examples of current practice.

The principles of good practice are based on the standards set out in the Accounts Commission's report "Bye now, pay later?", which was published back in 1997. That focused on local government, but the underlying principles are relevant to all public sector organisations.

Information on the number and cost of early departures is taken from the 2011-12 audited annual accounts of public bodies across Scotland. That information has been published for the first time in those accounts and we have taken the opportunity to pull it together, provide a picture across Scotland and pull out some themes for the attention of public sector bodies. The current practice examples are drawn from the published reports by auditors and from a limited number of case studies rather than being the result of a formal performance audit that has looked across the whole public sector.

The key messages that we are reporting to you are that in 2010-11 and 2011-12, more than 14,000 people accepted some form of early departure at an overall cost of approximately £280 million per year. Broadly, more than three quarters of those departures cost less than £50,000. In contrast, for 8 per cent of departures, the average cost was more than £100,000, representing approximately 40 per cent of the total cost of early departures. The average cost of packages varies between organisations. The highest average costs tend to have been incurred by central Government and NHS bodies, reflecting their targets to reduce the number of senior managers by 25 per cent by 2015.

The circumstances of individual organisations vary and it is up to managers and councillors or board members to ensure that their early departure schemes are tailored to their needs. However, the underlying principles of consistent policies, independent checks, value for money and open reporting to the public apply to everyone.

We found that Scotland's public sector organisations follow many of the principles of good practice. However, there is a range of approaches to the design and management of the early departure schemes, with significant differences in some aspects. The most significant of those are set out in the report; they cover the costs that are reported in annual accounts, the payback periods that are used to demonstrate value for money, the use of incentives such as added years, and the independent scrutiny that is given to the packages. There is evidence that early departures are now leading to long-term savings for Scotland's public sector, but organisations need to be more consistent in how they monitor the schemes to help to ensure that the planned savings are delivered. They also need to be clearer and more consistent in reporting those savings to the public as a matter of real public interest.

Issues relating to individual audited bodies have been addressed as part of the annual audit process. That includes consideration of whether it is appropriate to report to the Public Audit Committee through my section 22 powers, or to the Accounts Commission through the controller of audit's reporting powers. Audit Scotland is working on a report on reshaping the public sector workforce that aims to put the departures into the wider context of the shape of public sector workforces for the future to meet the demands that we know are coming and the strategic approach that is being taken. That report is due to be published in autumn this year. We will return to the committee then with the bigger picture, but we hope that this snapshot and the good practice principles are a good starting point for the committee today.

The Convener: Thank you. Mr Baillie, did you want to say something?

John Baillie (Accounts Commission): No, I have nothing to add.

Mary Scanlon: I was quite shocked at the average cost of early departures, but probably more shocked that the number of staff who are employed by the Scottish public sector has fallen by 40,000 since 2009. Should we presume that a percentage of those jobs have been filled since? Is that the net reduction in the number of staff in the public sector?

Caroline Gardner: The figure of 40,000 is a net reduction. As we explain in the report, the complication is that the figure includes staff who have transferred to arm's-length bodies as part of the process. We have not been able to get accurate enough information to break out those figures, but there is a net reduction.

10:30

Mary Scanlon: Given that there are 40,000 fewer employees, most people out there would ask how that has impacted on public services. Have we been able to deliver the same quality of public service with 40,000 fewer employees?

Caroline Gardner: Answering that is very much the purpose of the work that is under way on reshaping the public sector workforce. We have taken a snapshot, based on information that is in the public domain for the first time about early departures, as a chance to restate the principles. We know that some organisations have taken a short-term approach—some of them have had to do so—to reducing staff, where that has been relatively easy to do. However, it is obviously important that that is part of a wider strategic approach that involves looking ahead at issues such as what staff will be needed and changes to the shape of the workforce. The approaches that are taken to get there will be different from the sort of moves that can be made to make such short-term savings.

Mary Scanlon: I presume that no person or persons would be allowed to leave if they were key to the delivery of a quality service. Therefore, can we presume that there were 40,000 surplus staff and that we can continue to provide a quality public service with 40,000 fewer staff?

Caroline Gardner: The extent to which individual people who express an interest in early severance are critical to service delivery should be absolutely central to the business plan that is considered in making a decision on whether they are allowed to leave. I ask Fraser McKinlay to pick up on the broader point about what we know about who has gone and from where.

Fraser McKinlay (Audit Scotland): I was going to make a similar point about the importance of having a clear policy in the first place and clear business cases for individuals. As we say in the report, the variation in that across the public sector is striking in some places. Some bodies have taken a fairly targeted approach, whereas others have taken more of a blanket approach. We are clear that bodies need to try to understand the potential impact on service delivery. As Caroline Gardner says, that is a key part of the work that we are currently doing and on which we will report in the autumn.

Mary Scanlon: Exhibit 2, which is on page 11, shows that, in one year—the report is looking at 2010-11 and 2011-12—8.4 per cent of staff left central Government, 3.7 per cent left local authorities, 2.1 per cent left police and fire bodies and 0.5 per cent left the NHS. Are those changes based on the provision of a quality service and value for money, or are they based on budget pressures, efficiency savings or, indeed, the protected budget for the NHS? What I am probably trying to ask is: could more savings be made in the NHS? The figure of 0.5 per cent for the NHS is considerably different from that of 8.4 per cent for central Government. Why is there such a range?

Caroline Gardner: We think that a range of factors comes into play. I suspect that the fact that the Government has made a commitment to protect the NHS budget in real terms has affected the number of staff who are leaving in that sector—it is a smaller number proportionately. There is a focus on reducing the costs of other central Government spending heads to balance out the impact of NHS protection.

Some bodies started some time ago to make the changes that they expected to need to make over a period, whereas others are coming at it later. Some bodies have more room for manoeuvre than others and some are targeting senior managers. Different things are happening in different organisations. The piece of work that we have under way is about stepping back and looking at the strategic approach and longer-term direction that bodies are taking to ensure that they have the staff that they need to deliver their services while dealing with the budgetary pressures that they are under.

Mary Scanlon: Is it safe to assume that, if central Government can lose 8.4 per cent of staff in one year and continue to provide a high-quality public service, those efficiencies could be made right across the public sector, or did central Government have a surplus of staff in the first place?

Caroline Gardner: I am not sure that it is safe to make that assumption. Different organisations are starting in different places, and the report is a snapshot looking at two financial years, 2010-11 and 2011-12. That is why we are stepping back to look at the strategic approach that is being taken more generally.

John Baillie: Mary Scanlon quoted figures for local authorities over a 12 or 14-year span. In local authorities, the full-time equivalents are now about 235,000, and the figure peaked a few years back at 260,000. However, if we go back over the period that Mary Scanlon is talking about, the figure then was about 235,000, so it has gone up and come back down again.

Mary Scanlon: When did it go up from 235,000? The workforce is now 273,000.

John Baillie: I think that the figure for 1999 was about 235,000 or 240,000.

Mary Scanlon: And even with 10,000 departures in one year—

John Baillie: Well, it is two years—

Mary Scanlon: So the figure was up at 283,000?

John Baillie: If we go by full-time equivalents, it was about 260,000 about five years ago.

Mary Scanlon: Are there 48,000 more employees in local government since devolution?

John Baillie: No. I am saying that, in 1999, the figure was about 235,000 to 240,000, and it has come back down to that level. The figure peaked about five years ago.

Mary Scanlon: It peaked at 283,000?

John Baillie: Yes, the equivalent figure is 260,000 full-time equivalents. It is now back where it was.

Mary Scanlon: It still went up by a huge amount.

Colin Beattie: I would like clarification on paragraphs 2 and 3, on page 4 of the report, because £280 million a year is a huge amount of money. Paragraph 2 states that 14,000 staff accepted early retirement in the years covered by the report, and paragraph 3 states:

> "There is evidence to show that this is leading to savings."

In calculating those savings, did you take into account the fact that, as is repeated elsewhere in the report, some people were rehired on a lower salary to do similar jobs, which would eat into the margins on the savings? Do the savings also take into account other forms of costs associated with losing staff? I leave the question open as to what those costs might be.

Fraser McKinlay: On your first point, the savings that we expect to see in business cases would include instances of posts being backfilled on a lower salary, and we would expect only the marginal saving to be included in that business case. Generally speaking, that is how it is done. The report states that there is some inconsistency about the costs that are included in the business cases. Our auditors are picking up on that and will focus on it even more in the coming audit year to ensure that there is greater consistency about what is included in the up-front costs.

On the issue of savings, the frustrating thing for us in carrying out the work for the report was that it was difficult to get a global figure for the other side of the equation. All the up-front costs were included in the accounts, so we could get reliable information on those, but information on the subsequent saving from the up-front costs is more difficult to pin down. The report's key message is that public bodies must be absolutely transparent and must provide clarity for their board members, for their elected members and for the public about what the investment in early departures is delivering in terms of savings.

Colin Beattie: Just to be clear, is your evidence about the savings based on the business plans that were put forward by the councils for those departures?

Fraser McKinlay: Yes; there is evidence in individual bodies that the departures lead to savings.

Colin Beattie: Is that the only evidence?

Fraser McKinlay: Yes.

Colin Beattie: You say in paragraph 6 that the quality of the business cases varies.

Fraser McKinlay: Indeed—but, although the quality varies, there is still evidence that pay bills are coming down in public bodies. Our auditors are satisfied with the evidence that, thanks to the monitoring that is being done in the public sector, reporting is done on what is happening as a result of people going and on the savings that are being delivered. It could be better, but we are pretty confident that some savings are being delivered.

John Baillie: Caroline Gardner mentioned our report that will come out in the autumn. That report will examine the very issue that Mr Beattie is talking about: the extent to which savings are monitored and whether they should be monitored more closely.

Colin Beattie: Paragraph 32 on page 15 comments on early departure schemes and how they can reduce organisations' efficiency in some cases if they are not well managed. Have you seen any evidence of that to date, or is it too early?

Caroline Gardner: It is too early to say. The report is deliberately a snapshot based on the disclosures that were required for the 2011-12 financial statements for the first time. In our wider work on workforce planning, we are considering whether people are taking a strategic approach—assessing what they need their workforce to look like in five years' time and how much money they will have to spend in five years' time, with a process being undertaken to fit the two together—or whether they are taking a more opportunistic approach by looking for opportunities to cut costs now, without enough focus on what the impact might be on service quality or demand. That relates to the question that Mrs Scanlon asked earlier. It is important that savings are made, but that must be done in a way that does not lead to longer-term costs because gaps become apparent, or because it becomes necessary to refill posts that had been deleted under an early severance scheme.

Tavish Scott (Shetland Islands) (LD): My apologies for being late, convener.

I wish to ask the panel about the paragraphs in the report on compromise agreements. If 14,000 staff have left over two years, how many of those 14,000 signed compromise agreements?

Caroline Gardner: I do not think that we have that figure. The report is drawn from the annual accounts, and that is not disclosed in those accounts.

Tavish Scott: How would we find out about that?

Caroline Gardner: That is mentioned by auditors in their annual reports where they have concerns about it. As we say in our report, there can be good reasons for compromise agreements, as long as they are not used either to suppress information that is properly dealt with through whistleblowing approaches, or to hide the cost of settlements from the public.

Tavish Scott: I understand that, but how would we find out? How would the committee get that information?

Caroline Gardner: At the moment, it is not required to report compromise agreements anywhere.

Tavish Scott: Should it be?

Caroline Gardner: That is a question for the committee to have a view on. I suspect that that could be drawn out through freedom of information requests, if appropriate. If we felt that there was a problem with such agreements more generally, we could collect that information through our audit access powers.

Tavish Scott: Do you accept that we found out about the manipulation of waiting lists in NHS Lothian only because of a whistleblower? The public concern is clear. If compromise agreements are being used and you cannot tell me how many are being used among the 14,000 people who have left the various public bodies—such that we have no idea how extensively they are being used—it could be a very serious issue.

Caroline Gardner: Potentially it could be, but we have found no evidence that it is. We have focused on the general picture as it stands at the moment. The team might have a bit more to say about the examples on which we have commented in our report. In the NHS in particular, further guidance has been given out to health boards about the use of compromise agreements and the circumstances in which they should not be used.

In the report on waiting times, we were clear about the importance of the culture and of the systems that enable people to raise their concerns about health services and other public services when appropriate.

Tavish Scott: I wonder why that additional guidance was provided. That suggests that compromise agreements were systemic or endemic across the public sector. I do not know whether it was Government guidance or whose guidance it was, but more guidance had to be produced.

Caroline Gardner: The guidance was produced in response to public concerns at the time, rather than to evidence problems in the use of compromise agreements. The team might be able to help me out with more information on that.

Fraser McKinlay: I will speak to the team that is working on the reshaping the workforce performance audit to check how easy or difficult it will be for us to get that information. We can consider how to gather that information about compromise agreements. Our concerns, as auditors, have on occasion been more to do with the way in which public money is being withheld, and with the transparency of that, rather than with whistleblowing in the sense that Mr Scott is getting at.

The couple of examples that I have come across in local government have concerned the lack of transparency in the amount of public money that is spent on a departure. We make it clear that that matter is often not appropriate for inclusion in a compromise agreement. Compromise agreements were created with regard to employment law and to manage risk on both sides, and from that point of view they are not a bad thing. My sense is that they have developed over time, and more things have been included. That is why we state clearly that such agreements should not be used to stop people blowing the whistle, or to avoid transparency in spending public money.

10:45

Tavish Scott: I completely accept that point, and paragraph 58 makes it very clear. My point is that I do not know—it strikes me that you do not know, either—how extensive that practice is.

Fraser McKinlay: Sure.

Tavish Scott: If you can come back to the committee on that, it would be extraordinarily helpful.

Your report notes that organisations should have “up-to-date policies and procedures”, and paragraph 38 mentions Scottish Enterprise. I am reading between the lines, so I ask you to correct me, but paragraph 38 seems to suggest that Scottish Enterprise has—again, endemically or systematically—been paying over the odds in getting rid of staff in comparison with other parts of the public sector.

You state in that paragraph that Scottish Enterprise has been running its scheme “in a targeted way”. That strikes me as meaning that the scheme has not been applied across the organisation. Scottish Enterprise has decided as a board—and presumably as a management team—that it wants to get rid of certain people, and it has been using the policy in that way. Is that a fair assessment of paragraph 38?

Caroline Gardner: There are two questions that relate to Scottish Enterprise in that regard. The first concerns the scheme itself. It is certainly true that the scheme that Scottish Enterprise was operating last year was more generous than the general civil service scheme. The Scottish Government had approved the scheme, while giving Scottish Enterprise a steer that it should seek to reduce its contractual obligations to members of staff. As with much of this issue, some aspects of the policy go back a long way to the point at which the schemes were introduced or to when individual people were appointed and contracts with them were entered into.

With regard to the scheme being targeted, the auditor identified that it had not been made known to everyone in that particular round, although the organisation was clear that the scheme was on its website and that people were able to apply. The management team and the board had used the scheme in a targeted way to identify where there was room to reduce the size of the workforce and eliminate particular posts. That is not necessarily a bad thing.

To go back to the earlier questions about the balance between cost saving and the impact on services, it is not necessarily a criticism as long as the business case is clear on why particular roles have been targeted. However, we make a criticism in this particular case because of the number and the cost of the departures involved. The auditors will keep a close eye on that in the future, so we will have good visibility on what is happening.

Tavish Scott: What was the number and cost of departures from Scottish Enterprise, broadly speaking, over those two years?

Caroline Gardner: The appendices to the report give a bit of information about that, in particular appendix 2, on “Proportion of staff taking early departure”, and appendix 3, on “Average cost of early departure packages”. For Scottish Enterprise, the average cost was a little over £100,000 last year, and the proportion of staff who were going was actually lower because of the size of the organisation. I think that there has been a small number of higher-cost packages, which ties into the targeted approach that was taken.

Tavish Scott: I am very grateful for that advice. Why did Scottish Enterprise run a scheme that was clearly so advantageous to those who were leaving in comparison with other parts of the public sector? Why was it allowed to get away with that?

Caroline Gardner: That is not a question that I can answer for you. The scheme was in line with the general contract entitlements of staff in Scottish Enterprise and it had been approved by the Scottish Government.

Tavish Scott: So it would be legitimate to ask accountable officers and others why that happened and how the plan was agreed.

Caroline Gardner: That is a matter for the committee.

James Dornan: In response to the points that Mary Scanlon raised, Caroline Gardner mentioned that staff had been transferred to arm’s-length external organisations. If 40,000 staff have gone, and a number of them went from local authorities to ALEOs, there must be a way for us to find out how many have been transferred. That would mean, given that ALEOs are just a semi-detached arm of local government, that we would have a much more accurate figure.

John Baillie: We are doing work right now to try to get a much closer handle on the very point that you raise. I will clarify what I said earlier. In 1999, there were about 235,000 full-time equivalents. That figure was the same at the time of the report’s publication. The figure went up and came down again. That masks the number of people who have gone to ALEOs during that time, which I guess is what is behind your question to some extent.

James Dornan: Yes.

John Baillie: The short answer is that we are working on that to see whether we can get full and better particulars, if you like, on the ALEO side, because the Accounts Commission is concerned about the governance of ALEOs.

James Dornan: Does that include the early pay-offs to ALEOs? Lots of public money is being spent. The report does not include that semi-detached arm of local authorities.

John Baillie: You are right in saying that the figures in the report do not include ALEOs.

James Dornan: Will the future report include such figures?

John Baillie: I will have to check that and get back to you. The first stage is to find out the scale of the transfers from local authorities to ALEOs and then take it from there.

The Accounts Commission's direct concern with ALEOs is that public money has been transferred out of the reach of external scrutiny, except for the accounts. The Accounts Commission has no rights to assess the performance of ALEOs as we have with anything else in the local authority world.

James Dornan: Paragraph 4, on page 7 of the report, says:

"organisations need to be clear about how they assess the value for money of early departure schemes."

Do you intend to come up with an agreed best practice method across the board about how organisations should do that?

Caroline Gardner: That is what the report does—it sets out the principles that people should apply. It is clear that the costs that should be disclosed in the accounts under the new requirement are the immediate costs to the employer, the capital cost of added years or the strain on the fund where that is incurred.

Gordon, do you wish to add anything on the good practice principles that we are setting out?

Gordon Neill (Audit Scotland): As Caroline Gardner said, we promote the principles of good practice. It is difficult for us to be prescriptive about some of the details—for example, what payback period should be used or whether organisations should use incentives such as added years—because each organisation's circumstances vary and they are under different pressures. It is difficult to make precise suggestions, such as whether two added years is appropriate or that the payback period should be up to three years. That all depends on the organisation.

James Dornan: Is there a way to suggest—perhaps this is in the report but I have missed it—how that should be and that an organisation must justify its position if it is outwith that norm, so that there is a uniformity of process?

Gordon Neill: As I said, it is difficult to come up with a single, simple figure. However, every early departure should be supported by a business case and each business case should have full cost transparency, in terms of both the immediate and long-term costs.

Questions should be asked if there are particularly long payback periods—for example, I would expect non-execs, councillors or auditors to ask questions if that period was six years. Beyond that, it is difficult to be prescriptive.

Fraser McKinlay: Gordon Neill's point is mentioned in paragraph 48:

"the longer the payback period, the greater the risk that the anticipated savings will not be realised. Organisations need to ensure that the payback periods they are using are justified and represent value for money."

As Gordon Neill said, rather than coming up with a number, we are absolutely clear that the organisations and the governance processes need to be clear about why, for example, they are adding years, or why one payback period has been chosen rather than another. That is why we have gone with the principles of good practice, rather than trying to be too specific.

James Dornan: I recognise—

The Convener: I am sorry for interrupting but, with Mr Dornan's forbearance, I will follow up on that. I find it astonishing that it is up to the organisation to decide what payback period it uses to calculate the saving. That seems to be about the accounts rather than anything else, and there are requirements that are rather stronger than good principles when it comes to accounting. Organisations cannot present their accounts as and how they feel might suit their case, yet Gordon Neill seems to be saying that all that can be done is to identify good practice. Is there not accounting legislation on transparency? It seems astonishing to me that the organisation can decide whether the payback period that it will apply will be one year, two years or six years. That just seems nonsensical. I am not an accountant, but it just seems strange to me and I think to Mr Dornan.

Caroline Gardner: The payback period is a useful shorthand that helps people making decisions to focus on the numbers in play: the costs up front and the savings. The business case should be based on a net present value calculation of the costs and savings over a period of time. Our concern is that, although the payback period is helpful as a rule of thumb, it is not the full answer and that, in any case, the longer the period over which you assume savings, the harder it becomes to be clear that they have been achieved in practice, because so many other things will change at the same time.

I can see that Tommy Yule wants to come in to put a bit of flesh on the bones of that.

Tommy Yule (Audit Scotland): In general, the schemes that we looked at and what organisations reported showed payback periods of between one and three years. That was for the schemes overall, so the period might be longer for individual circumstances. We do not have any information on that, but it might be that other factors were being considered. For example, if an organisation were looking to restructure, it might take that into consideration and accept a longer payback period; if it were looking to make quick savings, it might go the other way. It depends on the factors affecting each organisation.

The Convener: I am not sure that Mr Dornan and I are asking about the business case for the saving; we are asking about how the information is presented transparently. I will let Mr Dornan back in.

James Dornan: Just on that very point, which is maybe the crux of the matter, if the period had to be between one and three years and an exceptional case had to be made for it being outwith that, that might go some way towards what we are looking for.

John Baillie: Just as in the private sector when codes are developed—for example, the Cadbury report and all the things that followed from that—there might be scope for a parliamentary committee to take evidence on the issue more generally and come up with guidelines that it might wish to issue. Perhaps that is a way to deal with the matter.

Tommy Yule: The Auditor General made the point earlier that it was difficult for us during the audit to see the savings that organisations were achieving. There is not as much transparency or public reporting on the savings as there is on the costs. The payback periods are directly linked to that, and it can be quite challenging to link information that we have or do not have on savings to the payback periods.

The Convener: I think that we share your pain on that, which is why Mr Dornan and I are so concerned about it.

John Baillie: If you were to undertake a broader study of this, it seems to all of us—I am sure that I speak for everyone—that it should look at the terms of appointment as well. Sometimes by the time that you get to early departures, the pass has been sold and you are locked into a position.

Tavish Scott: Absolutely.

The Convener: The report mentions that as well.

Bob Doris: I was struck by what Mary Scanlon said earlier about the low percentage of early departures in the NHS compared with the percentage in other areas. I am glad that we see that low percentage, because it is obviously connected to the protection of the NHS budget and the above-inflation increases in it. However, that is not my reason for referring to the NHS; I do so because the NHS is becoming increasingly clearer in terms of its workforce and workload management tools, with even a bed management tool now being developed. The NHS is focusing more on the demands on it and on having a medium and long-term strategy to restructure its services to deliver on the demands. Of course, staffing is the largest fixed cost, so it is a significant part of that. Whether there are more nurses in the community or more acute beds, there are always knock-on consequences for staffing.

11:00

When local authorities decide to offer early retirement or early departure to staff, do they start off from a basis of thinking about how they would like to restructure and then see where that means that they would need fewer staff, which would lead them to conduct a fishing exercise to see how many staff in any department might want to seek early departure, given that we are hoping that local authorities will not be involved in compulsory redundancy? In other words, are local authorities just saying, "Who wants to leave?" or is there a method to their approach?

John Baillie: I will try to answer that from the other end, and you can tell me whether I have answered your question correctly. One of our concerns is that not enough long-term planning is done in local authorities, whether that planning concerns finance or workforce strategy. We keep raising that point. As you suggest, if you start from the point of having a workforce strategy, you know whether you will have the right people in the right place at the right time. Not enough of that is done. That leads us to assume that at least part of what is going on is that people are being invited to take early departure if they are so minded. Fraser McKinlay might want to elaborate on that.

Fraser McKinlay: The picture is varied across councils. Some councils offer early departure widely and see who takes it up, and redesign services based on that. Others have worked the other way, and have started by saying that they want to redesign the service and work in a more targeted fashion. Across the 32 councils, there is a great deal of variation in how much the policy is used—the appendices in the back of our report give you a sense of the difference in that regard and of how they are going about the process. That reflects the diverse nature of local authorities. They are much more diverse than, for example, the national health service, where a more whole-system approach tends to be taken.

The work that we are doing at the moment, which will report in the autumn, involves a consideration of case studies from various sectors. We are pulling out some examples of good practice in councils and in other parts of various organisations. There is not really one clear picture across the whole of the local authority sector.

Bob Doris: More importantly, I suppose, what would best practice be? It seems a little counterintuitive to say, "Who in this local authority would like to leave?" and for the local authority to then move the deckchairs around the ship to suit whatever situation has arisen once people have made their decisions, based on whatever criteria have been laid down. Is there a best-practice approach to this? Should local authorities be looking to see how they can address head count and restructure the service to ensure that it is truly more efficient, or should they conduct a fishing exercise of staff first? What is the most appropriate way to go about it?

Fraser McKinlay: As John Baillie said, good practice is to be clear about what your workforce planning strategy is in the long term, and that should be linked to the needs of the service and the way in which you want to deliver the service in future. However, you do not need to do all that before going to the early departures procedure; you can do some of that at the same time, if you like. It does not need to be an entirely sequential thing. However, we would expect to see a plan or a strategy that says, "This is where we need to get to, for the following reasons." Of course, how someone gets to that point might differ depending on circumstances, how much money needs to be saved, and the timescale that is involved.

Bob Doris: I think that I am a little clearer on that.

You have said that best practice involves the consistent application of clear policies and procedures on early departure. I am not about to pick on Glasgow; I am merely using it as a point of reference and as an example; the issue could be widespread across the country—I have no idea.

Glasgow City Council conducted a fishing exercise of staff, including social work staff, to see who wanted to take advantage of the offer of early departure. I know that a couple of my constituents put in for early departure but were told that they could not get it. Soon afterwards, the head of social work was given an early departure package. I mean no harm at all to David Crawford, and I hope that he is doing well in his next challenge, but individual members of staff perceived there to be some inconsistency in that decision. I suppose that I am asking how local authorities handle the fishing exercise to find out who would like to leave, and how they refuse requests from people who say that they would like an early departure. Are clear policies and procedures being applied consistently?

Let us move the discussion away from my home local authority. There are 32 local authorities in Scotland and the issue is more about where the pitfalls are and how to apply that part of best practice.

John Baillie: I will move to the general, as you suggest. Perhaps it is a communication issue as much as anything else. One would expect councils to fully explain the offer to whatever group of staff it is put to. That way, at least expectations would be managed among certain groups. If that was fully explained in the first place, the rest would seem to follow from it, would it not?

Caroline Gardner: In a sense, there is a link to Tavish Scott's question about whether targeting schemes is a good or bad thing. If the aim of the exercise that any public body goes through is to reduce the number of senior managers, it may be entirely appropriate—subject to the business cases for individuals—to allow senior managers to go, while maintaining employment in social work, teaching, or wherever else staff are required to deliver the service. We are looking for public bodies to have both a very clear strategy for the way in which the workforce needs to change over time and a policy that is consistent on the principles for how people will be treated as part of that.

Bob Doris: Perhaps I should not have mentioned the example of the senior director. I did not intend to focus on that particular decision; my point was more about how staff expectations regarding early departure are handled.

I am a little bit clearer, convener. The issue is about organisations being very focused when they do that fishing exercise and saying, "This is not to say that you will have early departure; we are merely doing an audit of those whose aspirations would be to leave if the option was available." That is perhaps not always the case in local authorities.

Willie Coffey: I will pick up with our panel the point of the estimated savings. The Auditor General said that there is evidence that early departures are leading to long-term savings. Are there any figures to back that up?

This is perhaps a simplistic analysis, but if the year 1 cost is £280 million, does that not mean that the year 2 saving automatically is £280 million? The costs are one off but the savings are recurring—to a point beyond which it would probably be ridiculous to claim a saving, after so many years of an organisation changing. In broad terms though, surely the year 2 and 3 savings must be equivalent to the year 1 cost? Is that a reasonable assumption? I would like Mr McKinlay's view on that.

Fraser McKinlay: I will ask Tommy Yule to come in on the detail. In answer to the specific question on timing, it depends on when people leave. In accounting terms, you can, if you like, book the up-front cost at the point at which the decision is made. The person might not leave the organisation for a year or two after that, so there can be a time lag until you see the savings come through. We are clear that the business case should be very clear about that. That is why you would not necessarily see the savings from one year to the next.

Tommy Yule: Again, it depends on the individual scheme. In the NHS, most of the organisations claim to achieve that saving within a year, although the NHS does not tend to offer added years, so it does not have that element of cost. In other organisations, it depends on how long a person has worked and what their salary is. There is an example in the report that tried to set out the various costs that can be incurred. For example, if organisations offered four added years or six and two thirds added years, those costs would also have to be met, which leads to the longer payback period.

As was said earlier, the payback period generally ranges from one to three years. If the payback period is three years, the initial cost will not have been recovered in that period. It will take three years to recover the initial outlay. Does that answer your question?

Willie Coffey: Sort of. What is the nature of the evidence? Is it numeric? What is the evidence to say that we are making the savings that we must be making? Is it that, if there is a one-off cost of £280 million that is not incurred in year 2, that is a saving?

Tommy Yule: Good practice is that each application is supported by a business case. Those business cases should set out the savings, and they have been looked at within individual organisations. In their reports, organisations state what savings they claim to have made and say over what payback period that is. Some of those have been looked at and some have not, but that is the evidence.

Fraser McKinlay: There is sometimes a difference between the public reporting, the reporting to boards and members and what is actually there when you get underneath it. There have been occasions, for some of the case study sites and through our routine audit work—we have used some examples in this report—when we have looked at a high-level report that has gone to elected members and our auditors have asked to see the workings. When we do that, it gives us reassurance that there is tracking and evidence that people have gone and that savings are being made.

The bit that is not happening as well as we would like is the transparency of that for elected members, board members and, ultimately, the public. There is a message about elevating all that and bringing more transparency to the process. When we, as auditors, go looking for the evidence, it is quite often there.

Neil Bibby (West Scotland) (Lab): You mentioned that 40 per cent of the costs were for 8 per cent of the departures. Tavish Scott asked about the numbers involved for Scottish Enterprise and you mentioned appendix 2, which gives only a proportion of Scottish Enterprise staff. The other organisation with an average cost of early departures of over £100,000 was the Scottish Further and Higher Education Funding Council. How many people were involved in the early departure scheme at Scottish Enterprise and the Scottish funding council?

Tommy Yule: Over the two years that we looked at, there were only three departures from the Scottish funding council, with a total cost of £340,000. The Scottish funding council's accounts highlight that it targeted senior managers as part of a restructuring process. In Scottish Enterprise, 47 people left over the two years at a cost of just under £5.2 million.

Neil Bibby: So 47 people received £5.2 million.

Fraser McKinlay: Not quite. That was the total cost; it is not that those people got that money. There is a bit of a difference.

Neil Bibby: Okay. We have compared the situation in local authorities to the situation in the NHS. I would like to hear your thoughts on the cost to local authorities compared to the cost to central Government. The average cost to local authorities of an early departure was £37,000 and the average cost to central Government was £43,000. Does that tell us that local authorities are more efficient in dealing with such issues, or were the people who left local authorities under the early departure scheme lower paid than those who left the Scottish Government?

Fraser McKinlay: The first thing to note is that the numbers in local government are much bigger in absolute terms. However, there is no doubt that, in central Government, there is an explicit policy of reducing the number of senior managers by 25 per cent. Central Government has also undergone a significant amount of restructuring, with mergers and a commitment from the Government to reduce the number of public bodies. As that restructuring proceeds, the people who leave tend to be those in more senior positions, so we would expect the figure to be a bit higher.

Gordon Neill: I agree with what has been said.

Tommy Yule: I agree with Fraser McKinlay's comments.

John Baillie: It depends on the profile of the workforce at the point of the early departure scheme. The workforce could be more mature and, therefore, more expensive. There are various factors, and you should not read too much into a comparison of one sector with another without going into the profile of the working population in each case.

11:15

The Convener: I have a couple of other questions to finish off.

In paragraph 25 of the report, you say:

"There is a risk that some organisations are unaware of the true costs of early retirements or redundancies to revenue budgets or to pension funds. Decisions made in response to short-term pressures can lead to long-term costs."

What is the risk? Why is there a risk? Is that because those organisations are incompetent? There does not seem to be any explanation of why that risk exists. Is it based on examples that you have seen of organisations not taking proper account of the costs when they have made decisions in response to short-term pressures? What is behind that paragraph?

Caroline Gardner: What we pick up there is the general risk rather than specific risks that we have seen coming through the audited accounts over the past few years. When the Accounts Commission first produced its "Bye now, pay later?" guidance back in 1997, there were examples of councils making decisions about early retirement, in particular, that did not take account of the cost of the strain on the fund or the cost of added years. We have not found big examples of that happening now, although there is a bit of inconsistency in the way in which that is reported, as we highlight in the report. It is a theoretical risk, which is why the principles that we set out are so important. Those costs are likely to be much more significant than the short-term cost of the payment that the person receives.

The Convener: So the risk that you identify is based on past examples of problems.

Caroline Gardner: It is an audit risk, if I can put it that way. It is one of those hypothetical risks that we are aware of that our audit work is intended to keep an eye on.

The Convener: Okay.

In paragraph 43, you address one of the most publicly visible manifestations of what we are discussing—those cases, which I accept are few in number, in which staff take early retirement and then immediately return to the same job. Because that has happened with very senior members of the workforce, the figures involved—certainly, as far as the public are concerned—seem quite egregious. You give the example of Strathclyde Fire and Rescue and its chief fire officer.

My concern about paragraph 43 is similar to the concern that Mr Dornan and I raised in relation to how consistently things are done and the payback period. It seems clear to me from paragraph 43 that the report thinks that people taking early retirement and then returning to their job on the following day is a bad thing and that, in general terms, people should not be doing that, yet there is no suggestion of how that could consistently be stopped.

Paragraph 43 says:

"Dumfries & Galloway Council, for example, has recently announced an intention to place restrictions on the future recruitment of individuals who have accepted any form of early departure."

Perhaps I am naive, but my experience from my past lives is that, when there have been redundancy schemes and people have received payments to leave an organisation, it has been normal practice for there to be a restriction on them coming back and working for that organisation. However, paragraph 43 suggests that all that we can hope for is that the many organisations in the public sector might see fit to put such a restriction in place. Is there no mechanism whereby such practice could be outlawed in the Scottish public sector, because in many instances it creates fury when it happens?

Caroline Gardner: It is certainly our view, as we say in paragraph 43, that there should be controls to prevent that from happening, although there are rare instances in which there might be a business case for it to happen. I will ask Fraser McKinlay to pick that up, because he has thought long and hard about the issue, specifically in the context of Strathclyde Fire and Rescue, as controller of audit.

The Convener: Just before I bring in Fraser McKinlay, who would be responsible for exercising such control?

Caroline Gardner: I am not sure that any single person or body would be. Audit cannot make that a requirement. We can set good-practice principles, as we have done in the report, but for central Government bodies, for example, I think that it would have to be the Scottish Government that did that. The same would apply with the national health service. For local government, I guess that individual local authorities would have to reach agreement with the Convention of Scottish Local Authorities. There is not a single place in which that would happen.

Fraser McKinlay: There are also employment law considerations in banning people from reapplying for jobs and reappointing people to posts that they have left. As Caroline Gardner said, it is not a straightforward policy area.

John Baillie was closely involved in the Strathclyde Fire and Rescue case. Our main criticisms there were not so much about the fact of the officer being reappointed to the post. People have views about that, but it was not against the rules. What was no good was the way in which Strathclyde Fire and Rescue went about it—the process, his involvement in it, the transparency of what was done, why it was done and how much it was going to cost. Our interest is in the transparency of the process. From the audit side, as Caroline Gardner said, we make our expectation as clear as we can; we say, "If you do it, it must be only in exceptional circumstances and you must be absolutely clear about why you are doing it."

John Baillie: This comment happens to be about that case, but you can extrapolate from it to cases more broadly. The proper governance that is needed was not in place in that case, and another deficiency was a lack of proper options appraisal. The business case is important, but people should develop it having considered all the options. When a local authority or another part of the public sector is going to do something, it is important that it considers all the choices that it has available and decides where it wants to go. At that point, it can start to narrow it down into a business case.

The Convener: When you say that the organisation should consider all the options, you mean that it should consider all the options for the organisation and decide which would be best for it. Is the problem in some instances that what people consider is what is the best option for the member of staff involved?

John Baillie: That is the essence of my concern. The options should be considered to determine what is best for the organisation and what is in the public interest or of public benefit. People can then go on from there.

Mary Scanlon: In October, you will publish your joint report "Reshaping Scotland's public sector workforce". I want to check something, given the questions that my colleagues and I have asked today. In appendix 4 of "Managing early departures from the Scottish public sector", which is on the principles of good practice, you state:

> "Organisations should ensure that they retain sufficient skills and experience before authorising individual early departures."

You also state:

> "Policies and procedures should cover ... restrictions on any return to employment within the organisation or sector."

Those two points have been widely included in the questioning today. Can we assume that you will be looking at the principles of good practice for your report in October and that that will include a more in-depth study of whether they have been followed in the departures in the public sector?

Caroline Gardner: We are planning to pick up the principles of good practice more directly through the audits of the 230 or so bodies that, between us, we audit across the public sector. Our auditors will be looking to see the scale of early departures from the bodies that they audit and then doing some work to look at how far the principles are being applied. If there are concerns about bodies that fall within my remit, the way in which they will come back to the committee is through my section 22 reporting powers.

Mary Scanlon: Can we look forward to a more thorough and in-depth study on the two specific issues, with more information being made available, in the report that you will bring to us in October?

Caroline Gardner: That is not the focus of the workforce planning report, in which we will step back a bit to look at the points that you raised earlier about whether organisations are taking a strategic approach. However, on the basis of this morning's conversation, we will look at whether we can keep an eye on information about the extent to which early departures are happening and the extent to which the good-practice principles are being applied and report to you either on a case-by-case basis or across the piece.

The Convener: That ends this session. I thank all our witnesses. The committee will now move into private session.

11:24

Meeting continued in private until 11:44.

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e-format first available
ISBN 978-1-78351-169-3

Revised e-format available
ISBN 978-1-78351-188-4

Printed in Scotland by APS Group Scotland