The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

LOCAL GOVERNMENT AND REGENERATION COMMITTEE

Wednesday 20 March 2013

Session 4

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LOCAL GOVERNMENT AND REGENERATION COMMITTEE
9th 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:

Hugh Carr (Scotland Excel)
Dorothy Cowie (Scotland Excel)
Ian Crichton (NHS National Services Scotland)
Ronnie Hinds (Society of Local Authority Chief Executives and Senior Managers)
Colin Mair (Improvement Service)
Mark McAteer (Improvement Service)
Mark McDonald (North East Scotland) (SNP) (Committee Substitute)

CLERK TO THE COMMITTEE

David Cullum

LOCATION

Committee Room 5

Scottish Parliament

Local Government and Regeneration Committee

Wednesday 20 March 2013

[The Convener *opened the meeting at 10:01*]

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

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

Agenda item 1 is the first of this morning's evidence-taking sessions for our inquiry on public services reform and local government. It is on strand 3 of the inquiry, which is about developing new ways of delivering services. We will concentrate on local government benchmarking. As part of this strand of our inquiry, the committee agreed to revisit this important local government project once the benchmarking data had been published, which happened last week. I welcome to the committee Ronnie Hinds, who is a past chair of the Society of Local Authority Chief Executives and Senior Managers. I also welcome, from the Improvement Service, Colin Mair, who is chief executive, and Mark McAteer, who is director of governance and performance management.

Do you wish to make opening remarks?

Ronnie Hinds (Society of Local Authority Chief Executives and Senior Managers): Yes, convener. We have agreed a slight division of labour with regard to our opening remarks. As we have been advised that the committee's interest lies in how we will take forward the benchmarking project, any remarks that we make will be built around that.

I want to make two or three points. First of all, the project was, as you will be aware, launched a couple of weeks ago at the Convention of Scottish Local Authorities conference. Some of you might have looked at the data on the Improvement Service website. We have always said that although this marks a significant stage in the process, it is really only the first stage in our benchmarking journey. For me, there are a number of key things that we want to take forward from now on, the first of which is to embed the

practice. To that end, we will be working with the Improvement Service on establishing systems, by which I mean having families of councils that will collaborate and drive improvement through use of the data.

Secondly—if you have looked at the data, you will see where I am coming from—there are still some gaps. We have always said that our 55 or so indicators do not, even at the high level, cover everything for which councils are responsible. There are certain conspicuous areas—for example, economic development—in which there is relative silence. The second strand of development, therefore, is to flesh out the indicators and ensure that we cover all council responsibilities.

Finally, we see the project as quite a significant stepping stone towards embedding deeper in the public sector benchmarking and comparative use of data on good practice. We still have a long way to go in using the work in local government, but our aspiration is to take it beyond that level—to combine it with similar exercises that we know happen in, for example, the health service and to take it into community planning, broadly speaking.

Those, for me, are the key ways in which the work can be taken forward.

The Convener: Do Colin Mair and Mark McAteer have anything to add?

Mark McAteer (Improvement Service): I have a couple of remarks to make, convener.

First, I say to those of you who have had a chance to look at the website, that it will, as part of the project, be subject to on-going improvement and will feature other materials, such as the case studies that will emerge from the work that Ronnie Hinds mentioned.

Ronnie Hinds also alluded to the process whereby councils will work together. We, COSLA and SOLACE are clear that councils will go through a standard investigation, which we will support, into why variation occurs. |We will then capture the learning that comes out of that process for sharing across all 32 councils. Again as Ronnie said, the indicators will be reviewed to ensure that they are fit for purpose, that they plug any gaps and that the data sources that we need for the project are robust and secure.

Another area of discussion that the committee might wish to pick up on is the on-going involvement in the process of elected members. You will have seen COSLA's briefing note, and we will produce similar materials and run workshops with members not only cross-council to bring people together on benchmarking, but—if it is requested—within councils, in order to give members a better sense of what the data are

telling them about their authority and how the improvement process will work.

Finally, on Ronnie Hinds's last point about how this will connect with other improvement processes, I simply note that if the project produces only interesting data that do nothing to help drive improvement, it will have failed. As a result, an on-going stream of work will focus on how all of this will feature in councils' improvement planning and how the data will feed into the process of creating service plans to ensure that the services themselves pick up and deal with these issues, look at the good practice case studies and embed them in their own authority.

The Convener: Can you give us an idea of the buy-in to the benchmarking project from political and officer leadership, and what do staff on the front line think about it?

Mark McAteer: At this stage, it is difficult to respond to that in great detail; after all, we launched the project only a week and a half ago. However, the last time we looked at the website statistics, we found that it had had more than 1,000 hits and that, within a week and a half of the launch, there had been something like 15,000 downloads. Because we can track only the overall numbers, I cannot tell you whether those hits are from council staff or members of the public, but I can say that the figures dwarf anything that the Improvement Service website would get in a month—never mind in a week and a half. There has been a high degree of initial impact, at least as far as awareness is concerned, but we would like to track use by politicians, officers and front-line staff. We will certainly take note of that important point.

The Convener: The project might have been launched only a week and a half ago, but given the quite long lead-in to it you must have some indication of what council leaders and senior officials think. Are they sold on it?

Ronnie Hinds: I can give you the perspective from my council, which I think is representative. Of course, I cannot speak with authority about the other 31 councils.

This afternoon, I will be having a meeting with my chief officer group. At its request, benchmarking is on the agenda because we want to discuss how best to embed it in the council's on-going performance management processes. Having spoken to my fellow chief executives, I think that that pretty much indicates where all this is going.

The profile of the project, which has been raised partly because of the committee's interest, has served us well and, as Mark McAteer has suggested, has made people ask how best they might use it. As for what is happening at political

level, I can speak partly for my council and perhaps more widely. My leader, the whole administration and all the political groups are very interested in benchmarking; they want to see how it can be built into the council's on-going scrutiny processes and are discussing the best way of achieving that.

More broadly, the written communication that the committee has received from the president of COSLA shows local government's political position in relation to the project. As you know, it was initiated by chief executives; however, over the past year, there has been significant pick-up at political level and I expect to see nothing but further developments in that respect.

Colin Mair (Improvement Service): The convener is right to highlight the project's long gestation. One merit of that was that a very large number of staff in all 32 councils were involved in preparing and standardising data and so on, so council staff probably have a certain level of awareness of the project that they might not have had if we had simply dragged it into a corner, done all the work ourselves and bounced them with it. The fact that the project has been generated participatively means that there is much more awareness of it.

To echo Ronnie Hinds's point, in discussions with a number of chief executive colleagues across councils, many have said that they intend to use benchmarking in six key areas where their relative performance is not what they want, target those for improvement in the first year of the data being available, and have discussions with the relevant staff across the council about why there is variation in performance in comparison with other councils.

There is a degree of publicity and awareness around the project and there is also a commitment from Ronnie Hinds's colleagues to use benchmarking in an intensive way to reshape their improvement activities.

Mark McAteer: On the point about officers and staff, we set up a knowledge hub, which is a learning platform that allows for electronic exchange between people so that we do not have to be physically together in a room to discuss things. We have more than 200 officers signed up to that knowledge hub and all 32 councils are represented on it.

A quick skim through the officers' profiles shows that we have officers from finance, corporate performance and, increasingly, service backgrounds. That relates to Ronnie Hinds's point that as services have become aware that the corporate centre of the council is looking at the material, colleagues at service level have requested to join that knowledge hub. That

request has been granted, so they have access to all the material and can start to exchange through the hub, as well.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): I will start with a wee observation. I am slightly surprised that you do not know who is visiting your website. At the end of the meeting I will give you a free bit of code that you can put in your website that will help you to do that. I know who visits every page of my 2,850 page website and it does not cost me a penny. However, that is for another time.

I preface my questions by saying that I do not want to engage with the detail of the data—although you might be tempted to—because that would divert us from the main thrust of the issues that we should be interested in.

First, from the graphs generally, I can immediately conclude—correctly or incorrectly—that under some headings there are divergences in performance between councils that look as though they ought to be similar. Do you have evidence that the process of producing and publishing the data is leading councils to pick up the opportunity—I use that word quite deliberately—that exists when a council sees that it is a bit above what it might perceive to be the line. Is that happening?

Ronnie Hinds: It is early to give a comprehensive answer to that, so I will offer a perspective from my organisation, and perhaps the Improvement Service can say something more general.

I will give an example, as examples always help, although we want to stay out of the detail of the data. If we look at the data from a Fife perspective, we see that in relation to the number of Scottish Qualifications Authority level 5 awards—one of the key measures of attainment—we are still not where we want to be. We are somewhere around the Scottish average, which does not surprise me because Fife is broadly representative of Scotland in demographic and other terms. However, in educational terms we are somewhere—not hugely, but significantly—below the average. Already, as you can imagine, that has led to dialogue in my organisation.

One thing that we have done with the data is use the sheer force of comparison, even before we get to the point where we can sit down with other councils that are comparable to us in social and economic terms and ask what they are doing differently. The comparison is enough to provoke people in what I regard as a constructive way. My director of education is looking hard at why we are below the average, even allowing for the social characteristics of Fife.

I will spare you the detail, but one thing that we did was to sit down with the 19 secondary headteachers and ask why we are not—although we have said for five or six years that we are improving—breaking through the average, never mind anything higher. We have undertaken a specific targeted initiative with those headteachers with a cohort of pupils in mind whom we know could just about manage to get level 5 plus, all things being equal. They may not get there because they, or their equivalents, did not last year. We have pushed that.

10:15

Stewart Stevenson: I suspect that we have got the point: Fife has done that. Do you think that other councils are already doing that sort of thing, if it is relevant to their interests? I am happy with a subjective answer to that question.

Ronnie Hinds: I am sure that they are.

Mark McAteer: When we launched the website at the COSLA and Improvement Service conference a week and a half ago, I had a discussion with a number of chief executives. Glasgow City Council is doing some work at corporate management team level with the City of Edinburgh Council and with North Lanarkshire Council using the benchmarking indicators. They have picked up half a dozen of the indicators from across the suite on which to focus initially, to ensure that the discussion that was described can take place.

As Ronnie Hinds and I said at the beginning, we want now to have a more managed process. We would never stop councils talking to one another or sharing perspectives and learning, but we want to manage that process more—hence the development of the family groups. We want to ensure consistency in how we manage the process so that in future months and years we will be able to report more systematically on what has happened.

Stewart Stevenson: That is fine. I have a couple more points to make. Mr Hinds used the words "significantly below". I want to be clear, because I am a pedant, whether you are using the word "significant" in a statistical sense. Are we able to understand what is statistically significant about variations, or is it that simply looking at the data energises people to take action in an area regardless of the statistical significance of the variation that might be displayed? That would not be a bad thing, so I did not phrase my question to suggest that it might be.

Ronnie Hinds: In responding on my account, I say yes. However, although not everybody will look at the data with a fine-grained statistical mind, the key point is that people see the differences in

their own terms and act on them. I was referring earlier to an example in which we are statistically below where we should be; not just in terms of the average, but in terms of councils that I consider to be comparable—allowing for the various factors that I referred to—and which are outstripping the norm and doing "better than they should be". I want to know why that is so, because that difference is statistically significant.

Stewart Stevenson: That is good. I think that Mr Mair was fidgeting to come in there.

Colin Mair: I just fidget—I apologise. I wrote the overview report which may have remedied insomnia for people around the room, if they had read it. We looked in some depth at statistical relationships across the data—and I cannot say that those statistical relationships will energise people. For example, the pattern of the relationship between the level of deprivation and educational attainment within a council area is long-established. Indeed, over time that pattern becomes more dispiriting than energising.

One of the interesting things from the discussions with chief executive colleagues is that councils with very limited amounts of deprivation are often doing very interesting things with children from deprived backgrounds. The most logical benchmarking family member for Glasgow would not be East Renfrewshire Council, but it can be interesting to ask how, when an area has a low overall level of deprivation, the council is doing so well with children who are from very disadvantaged backgrounds.

To look at a statistical trend can be energising, but thinking beyond the statistical trend can be energising, too. It is heartening that people are probably using both methods of interpretation, so they are taking a best-in-class view that goes beyond thinking purely, "I only look at councils that are like my own council." If other councils are doing very interesting things, you would not want to miss the learning opportunities around that, as Stewart Stevenson expressed.

Stewart Stevenson: Right. I think that the next item can be dealt with relatively concisely. The other comparison, which I am making superficially, is on single areas within a council where there is a significant divergence between the adjacent years. At the moment we have only two years' data, so I need to be extremely cautious.

However, in one or two cases there are very big variations. Are we satisfied that such variations are proper in relation to normalisation of data? Might the variations be exaggerated because we have more work to do on normalisation? Are councils likely to understand that variations may be caused by changes in policy, as well as by a change in performance? Is there evidence about why such year-on-year variations occur? I note that some of the bigger variations are in the smaller councils, and I can see why that might be the case. Are we satisfied that that comparison is leading to questions? The whole point is that councils should be asking themselves questions.

Colin Mair: We absolutely agree with that. Stewart Stevenson has astutely identified that the most striking year-on-year variations are in small councils. They are also in areas where it is hard to standardise and make year-on-year comparisons. For example, there are striking figures within childcare and child protection costs. One year we might have a kid who has very severe personality, physical and other difficulties, as well as learning disabilities, which may require a very significant investment if that child is to have any chance in life. The next year we might not have such a case. Ronnie Hinds and his colleagues can confirm that a very small number of cases on the childcare side could bust budgets, because the council needs to respond to the actual needs of children. The year-on-year comparison can be suspect because the pattern of need that is identified in each year leads to variations.

In terms of normalisation, we checked very closely with councils that some of the most spectacular outlier figures were not just recording errors, so we have gone through a process on that. However, there are some areas where the variation year on year was so strong that maybe presenting a unit cost is misleading rather than helpful, on our part. Childcare costs are probably the best example of that.

The Convener: It was remiss of me not to say that Mark McDonald is substituting for Stuart McMillan today. You are very welcome—you make six ex-councillors out of seven folk on the committee.

Mark McDonald (North East Scotland) (SNP): Thank you, convener. To think that I thought I had escaped your clutches when we left Aberdeen City Council—but there we go. [*Laughter.*]

At the end of the day the focus is on how this translates into improved outcomes. Gathering and sharing data are all fine and dandy; however, unless we actually start to see improved outcomes for communities and individuals, all the data in the world will not make a jot of difference. Could you highlight where you see this exercise resulting in improved outcomes? There has been benchmarking in the past: it is not a new concept, although the way it is being done now may be different from the way it was done in the past. The COSLA "Connections" briefing states that:

"Benchmarking should support change and improvement based upon knowledge about best practice."

How can we ensure that "should" becomes "does"?

Ronnie Hinds: I go back to my opening remarks to some extent. Let us recognise the limitations of what we have done here. The genesis of the project lies in a time before outcomes were quite as prominent on the landscape as they are now. We have targeted service improvement and cost reduction. They are not unrelated to outcomes, but there is more to do if we are going to achieve outcomes. I have always said about this project that a significant part of the benefit is the working practice that it establishes of making comparisons and collaborating with each other to find out why something apparently has been done better in another place. Once those habits are ingrained, they will be just as relevant to the work of community planning partnerships, for example, which is more directly related to outcomes.

You can see from some of the data that a number of the indicators touch directly on outcomes. If, using benchmarking, we improve educational attainment more quickly than we would have done without it, surely that is a better outcome for the children who attend our schools. I would not sell the project short in that regard. The habit and practice that we build on will deliver against the outcomes.

Colin Mair: Your point was well made, Mr McDonald. A robust improvement process is required within councils. Mark McAteer will correct me if I get this statistic wrong, but 25 councils—is it 25?

Mark McAteer: It is 21.

Colin Mair: Twenty-one councils use a common self-assessment and improvement planning process. We work with them and support that process, but they also have a network to support themselves. We see benchmarking as fitting into that. It is not a substitute for other forms of self-assessment; it augments and creates opportunities for identifying improvement within existing forms of self-assessment. It is important to say that it is one part of the jigsaw; it is by no means all of it and it needs to be underpinned by a robust commitment to use comparisons for the purposes of improvement.

To take the education example about which we have talked, ambition plans for children in deprived areas would be harder to use in an area that has a massive amount of deprivation than in one that has a small amount, but it is still an interesting construct. Rather than say that, because those children are deprived, they will almost certainly fail in the education system, we do the opposite: we start out with coherent planning for individual children, run that through the system and monitor closely whether they develop as we want them to develop, and whether they have the opportunities that they need to do that.

It is a matter of picking up from the comparative statistics what underpins that, how we get very good results with deprived children in an education system and whether there are transferable elements of that that councils can share to allow all people to benefit from the insights that some councils have had.

Ronnie Hinds's final point is important. All the work that has been done on health and educational inequalities—the committee will be familiar with it—has tended to emphasise the fact that no one service in isolation could conceivably crack the problem. Health inequalities are not down to the healthcare system; they are driven by many other economic and social factors that influence people's health outcomes. That is also true of children's attainment in school.

Ronnie Hinds emphasised the point that improvement must take place within community planning and the sharing of services among agencies, not simply within councils. Some of the big impacts will come from better co-ordination across public services, as well as within public services.

Mark McDonald: Beyond simple collation of benchmarking, consideration of the results and asking why another service is doing well, there is a mindset issue, which is that, however much we might hope otherwise, individuals—whether council officials, council leaders or councillors—are often reluctant to admit that the approach that they have taken has not delivered the best results. They often take a territorial position that what they are doing is the best thing to do. What work is being done to try to get beyond that mindset and to bring people together to ensure that they share best practice, where it exists?

Mark McAteer: To pick up the point that Colin Mair made on the 21 councils that use the public service improvement framework, other councils use similar frameworks and we support both camps.

With those councils, we will work to ensure that the data and information feature in the exercises that they go through when they use the self-evaluation frameworks, which are based on the EFQM model. They will take that information and start to consider, for example, how their business process connects to what the information tells us, how leadership works in the organisation and how that relates to the results.

Those 21 councils will systematically work their way through that over a period to interrogate themselves and share practice and learning with

one another. That will actively be part of the improvement-level discussion within councils in the future.

General training and development are also important. Mark McDonald is absolutely right about the cultural aspect. Data and information are not enough in and of themselves if people do not engage, take the learning from them and translate that into change within their service, organisation or partnership.

There will be training and development opportunities for elected members on benchmarking. Through some of the other work that the IS leads on on behalf of councils, there will also be training and development opportunities for officers and officials. That will help to pick up the culture that needs to be in place to make the translation from interesting data to real change and improvement.

10:30

The Convener: The committee has stated before that we are interested in going to some of the training events for elected members to get a clear indication of how folks feel about benchmarking and of what is being done to educate people.

Mark McDonald: The community planning partnerships were raised—it will not come as a big shock that I am going to refer to the Audit Scotland report "Improving community planning in Scotland", which is out today. The report indicates that, although CPPs have had a statutory basis for 10 years, there is still a feeling that they are not able to show that they have had a significant impact through delivering improved outcomes. How do you see the benchmarking approach being fed into the CPP system to ensure that, when partners work together, they use that data appropriately and then start to deliver—or at least demonstrate delivery?

Colin Mair: The Audit Scotland report is useful because it challenges head-on the degree to which community planning has added value and the degree to which it will add value in the future if we carry on as we are. It is a head-on challenge to the system.

You will be aware that the report arose out of the current review and reform process for community planning. Part of that approach has led to the development of a group to provide better local evidence of need and performance across the whole of Scotland. That is available to CPPs. As Ronnie Hinds said, publishing the first iteration of the benchmarking framework demonstrates its importance. That has not been done and then shared surreptitiously between councils; it has

been done with a commitment to place the framework in the public domain.

Part of the challenge that flows out of that publication is that people can monitor whether they have changed over time, which is why we need to get better outcome measures. The critical point is the outcomes—whether people's lives are getting better over time. The approach is not merely about a certain process with statistics getting better over time. The same applies to CPPs.

There was significant engagement between us and a variety of bodies—such as Health Scotland and Healthcare Improvement Scotland—about not just working together to make the best information about need and performance available at local level so that people can see where they stand but making it possible to compare communities in a local area as well as to compare different areas of Scotland. That is because the variations in a community planning area are often much more striking than the variations between it and other parts of Scotland. A lot of work is going on to make such data available.

All CPPs will be challenged to have an improvement process—that partly flows out of the Audit Scotland report. All CPPs will be scrutinised externally over time, so there will be pressure to demonstrate that they understand what they are doing, that they are driving their resources behind their priorities, that they are doing systematic improvement planning and that they are developing.

We have moved from a situation where we had lost impetus to a situation where there are strenuous efforts nationally through the Scottish Government and through local government, in the form of SOLACE and COSLA, to put impetus back into community planning. That means that community planning has to improve. The strapline in the statement of ambition about community planning from ministers and from COSLA was that it must make demonstrable improvements to people's lives. Measuring demonstrable improvement over time will become the key way of driving that process.

Mark McDonald: You mentioned—rightly—that the outcomes are the key point and that the process is not just about having a range of statistics. I am a committee substitute, so forgive me if my next point has been rehearsed before. Of the 55 measures that are being benchmarked, how many would be classed as inputs and how many would be classed as outcomes?

Colin Mair: About 80 per cent are input-output measures; only about 20 per cent involve any sort of measure of outcome. We noted at the end of the 2013 Scottish local government benchmarking

overview report that in a range of respects there is work to be done to improve on that. To take a simple example, it is not until secondary 4 that we have any ability to link inputs to outcomes for children on a standard basis.

A section at the end of the overview report refers to the key things in the development programme for next year. If the outcomes are the public's satisfaction and sense of wellbeing, we have no consistent way of measuring that. That is inadequate and needs to be remedied, too. Your question is pointed and valid.

Mark McDonald: You would like the balance to shift over time as the project develops.

Colin Mair: Yes. The aim was to link cost to outcomes. We have put a lot of effort into that and we have comparable costs for the first time. They are pretty standard, and realistic comparisons can be made between councils. However, the suite remains deficient in relation to outcomes.

Mark McAteer: As Colin Mair said, a lot of work is on-going in a variety of groups. Last year, the improving evidence and data group was set up, which brings together public sector partners from across CPPs and Scottish Government analysts. The group has been charged with building on the benchmarking work to develop a framework that will support benchmarking in community planning partnerships. That work is part of the on-going development of community planning, and some of the insights and learning that we have had from developing the benchmarking process will be fed into that process.

We will also talk to other partners. For example, the national health service has its own benchmarking arrangements and we have set up dialogue with it to exchange learning. Benchmarking between services and, critically, in partnership with them is certainly something that we will work on.

The Convener: I will ask about the last point that you made about benchmarking by other public bodies. A huge amount of what we are about to embark on relates to the integration of health and social care services, for example. It would be pointless to measure a huge amount of different things.

In dealing with some aspects of community planning partnerships, it was always said to be a difficulty that budgeting and a number of the measures and targets that the health service uses came in at different times from local authority measures. The health improvement, efficiency and governance, access and treatment—HEAT—targets were always given as an excuse for the inability to measure or say what was going on in certain areas. How will we ensure that the data that we use in the benchmarking process matches up with what is going on in the health service so that, when we get greater integration, we do not measure different things all over the place and we hit the nail on the head in regard to what we want to see?

Mark McAteer: The framework has some measures for health and social care, with more on the social work end of the spectrum. We know that we need to factor that in as we proceed. There is development work on what the likely outcomes and performance in the measurement framework will be on health and social care. As that is clarified, that will be built into our framework and reflected in what we do.

As for your more general point about ensuring that data provision across different services is planned better so that data is available at the right time for people and we have consistent timing of the publication of health and local government data and so forth, we have discussed that with Scottish Government officials. We will press for that approach because, as we move towards more shared services, joint integrated work and so forth, that will become imperative to maintain the performance framework or any others that emerge. Your points are well made. We have certainly picked up those issues with Scottish Government officials.

The Convener: I am sure that we will come back to that in the future.

Margaret Mitchell (Central Scotland) (Con): Good morning, gentlemen. The local government benchmarking overview report is a fair and helpful analysis of the work that has been carried out. Without going into specifics, it would be helpful to look at areas where you have said that, taking into account key factors, variations still need to be explored further, particularly in environmental services such as waste collection; road maintenance—you refer to the total maintenance cost, which is the cost per kilometre of road maintained; and support services, on which you helpfully say that we need to look at organisation and practice. Where are you going with the first two things that I mentioned—environmental services and road maintenance?

Colin Mair: It is interesting to see what proves and does not prove to be controversial in benchmarking and in trying to get data. To the detriment of councils that have sought to recycle more, we have not taken account of the income that is generated through recycling. We express the gross cost, not the netted-off cost, to the council of delivering the service and, for understandable reasons, some colleagues around Scotland are modestly teed off with that. They feel that, although they are doing the right thing in outcome terms—which is also economically efficient, as it generates business opportunities

and income flows—if the income that flows from that is not captured, the council looks more extravagant than proper.

Within the timescale, we could not arrive at a way of estimating that income accurately and netting it off, so some of the comparisons are just of gross cost. Some of the practice in low-cost councils, where there is a low cost without an outcome against it, may be disastrous in the long term.

Margaret Mitchell: It is a process of elimination.

Colin Mair: It is a process of elimination. These are very high-level measures that people need to drill down from, and the councils know that. We struggled to standardise the data in time to get it into the framework, but the councils know the detail and, in their comparisons with each other, they need to take that into account.

If councils were still routinely using landfill, neither this committee nor any other committee of the Scottish Parliament would want to encourage that, as it is not in line with local or national Government policy in Scotland. Making the investment often means that the cost of waste collection goes up, as the council asks households to sort at source and has to run multiple collections. It would be quite cheap if we went back to telling people just to heave all the waste into a big grey bin and if we buried it in the countryside somewhere, but that is not sustainable or a desirable outcome in the long term.

I hope that it comes through in the text that we are anxious about how good the reporting is in that respect. It is accurate on the gross cost, but we are not sure whether that expresses anything terribly helpful.

Road maintenance has been much explored and discussed over time, as the committee's adviser will know from his former roles as a civil servant and a chief executive. Some variation can be explained by traffic volumes, but there is still a lot of unexplained variation that is to do with practice. There is quite a drive to consider whether service sharing would make more sense and whether every council maintaining its own depot, fleet and so on is remotely sustainable if we take a five-year view.

We hope that the information will not just get people comparing how their council stacks up but get them to see opportunities—as Mr Stevenson said—that are more about working with other councils to take out some of the costs while still delivering a decent road service to the public.

That is another area in which we lack quality measures. I leave you to make your own judgments, as you drive around your constituencies, about whether the lowest-cost council offers the best and safest road service to its population.

Margaret Mitchell: I am aware that some councils have been able to do maintenance very quickly with some kind of new method. That must have been quite cost efficient as well as efficient for drivers.

Colin Mair: We hope that that will be picked up through the framework and that councils will adopt technologies and techniques that allow them to respond very quickly and quite cheaply. If that happens, the other bit that we need to capture is the up-front investments that councils must make to get those technologies. There are some remarkable road maintenance technologies now, but they are vastly expensive to acquire, although they pay for themselves over a 10-year period. The framework will have to adjust to monitor that.

On support costs, it is clear that the democratic core costs of councils vary according to scale and are often very high in small councils that represent diffuse communities. Such councils might have quite a large number of elected members, although the overall population is small, because we have chosen to have democratic representation in that way. Therefore, as a proportion of their overall costs, the democratic core costs for small councils look much higher.

If the cost is spread across a population of the size of Glasgow's, there is more economy of scale for the elected-member costs than is possible in the Western Isles, Orkney or Shetland. That has been noted in the past and has been consciously protected by previous Governments, because we want that pattern of local political representation across remote, rural and island communities.

10:45
Margaret Mitchell: I will explore the issue of leadership. Mr Hinds mentioned that Fife Council was not happy with some of the figures, so it went off and did some work of its own. Who is driving that across the 32 local authorities?

Given that local authorities are often seen as the key drivers in CPPs, which deliver a fair chunk of public services, will benchmarking also apply to CPPs? Hoping that everyone co-operates sounds a little airy-fairy to me, as we know that that does not happen.

Another key issue that is of huge concern to the committee is CPPs' engagement with the public. We found that, nine times out of 10, the public did not even know about CPPs. How will the public be involved? How will the data be used? To what extent will the CPPs be subject to benchmarking?

Colin Mair: I will answer one bit of that and Ronnie Hinds can deal with the other. The

benchmarking initiative was driven by the 32 chief executives of Scotland's councils. The initiative has been discussed at every one of our monthly branch meetings, for far longer than we would all prefer, to get to this point. Therefore, there has been a high level of engagement among the executive leadership, which is committed.

I genuinely think that the decision to publish was critical. Once the information is out there, the question that people will ask next year, when we have three years' data, will be, "Why is this not improving?" A challenge is built into the act of publication itself.

With community planning partnerships, there may be a big shift across the next year or so. Until now, we have had the Local Government in Scotland Act 2003, which obliges councils to put in place a community planning process and obliges a number of named statutory partners to participate in that. In fairness, everyone has done both those things. However, a change in the law is being proposed, which I think has been agreed between the Scottish Government and local government, whereby all public partners across the public sector will be placed under a duty to work together to improve outcomes.

Until now, none of us has had a duty to improve outcomes. Most local government law simply puts a duty on people to make arrangements—for the education of children, for example—but they have no duty to do that successfully. Putting it in legislation that every public agency in Scotland has a duty to work with other public agencies to improve outcomes will create a statutory framework, which will be much harder to duck, about working together. Equally, that will make it hard not to work together with communities. The honest truth is that all the evidence suggests that, unless we are working in different ways with communities, we will not improve outcomes.

In that sense, although one does not want to exaggerate the importance of statute, given that we have all been separately mandated in the past with no common duty, it will be helpful to move to a common duty that is expressed in terms of outcomes. That will put a driver into the system and will allow external scrutiny bodies to challenge partnerships much more than they have been able to, because there will be a binding statutory duty on all the public sector partners. That will open up and force a lot of the issues that you have raised.

Margaret Mitchell: Personally, I am not convinced.

The Convener: Anne McTaggart has a wee supplementary.

Anne McTaggart (Glasgow) (Lab): On the back of that question, I want to ask about how that work will be measured and monitored. Will there be a public information campaign? How will that be run and who will lead it?

Ronnie Hinds: It is worth going back a step from the question whether there will be a public information campaign. The original concept for the benchmarking initiative was that all the information would form part of the public performance reports that councils are under a statutory duty to produce. That remains the intention for taking it forward. I make that point because that means that the information should really carry weight in the context of an individual council. If a council reports its performance against that of the other 31 councils or its closest comparators according to various terms, that is a drive to improvement for that council.

The point that I am making is that improvement is ultimately the responsibility of individual councils, which brings us back to the previous question about leadership. There must be some form of collective leadership—and there has been, as Colin Mair said—to apply the benchmarking project to the situation. If health authority chief executives were sitting here, you would get a straightforward answer to the question, which would be that there is a chief executive of the health service in Scotland. There is no such position in local government, so the response must be collective to some extent, but the nature of local government means that the drive for improvement and reporting on it must come from each council. The benchmarking data is a means to that end.

The Convener: Will you pick up on Margaret Mitchell's other points?

Ronnie Hinds: The other points were on community planning partnerships—is that right?

Margaret Mitchell: Yes.

Ronnie Hinds: I have reflected on the earlier discussion on that subject and, having worked with CPPs for a long time, I think that it would be fair to say that the sheer effort that is required to bring collaboration to bear around the table has taken up a lot of our time and energy. Little time has been left for looking across the horizon to see what a CPP in some other part of the country might be achieving. That is hard enough to do within a council, to be frank, which is partly why we chose to undertake this work.

When we bind everything up into a community planning partnership, effort unavoidably goes into asking how we can work more collaboratively—within Fife, in my case. We have missed a trick by not looking across the horizon to see what is being done differently—and perhaps better—elsewhere, and that represents a further challenge.

I return to what I said in my opening remarks: by undertaking this work, and—as Mark McAteer said—building on it and integrating it with what we know is happening in other parts of the public sector, we should be able to get better at that work. We have to do it, because the delivery of benefits and outcomes will take place increasingly in CPPs.

Margaret Mitchell: I have to say that that is worrying.

Stewart Stevenson: When Colin Mair answered my colleague Margaret Mitchell's questions on waste collection, a discussion followed on the absence of any reflection of income in the figures. That leads me to an important question: is the presentation of income across the board a difficulty for councils because of potential commercial confidentiality issues in the relationships with the commercial companies from which the incomes derive? If so, is there a mechanism by which councils can share commercially confidential information in a secure way that does not breach confidentiality? If there is not, will you do something about that?

Colin Mair: The information is not always commercially confidential. I note that paragraph 61 of the overview report—by which point most people will have rightly fallen asleep—refers to a lot of areas in which costs and income are not well related. We express the cost to the council without the income stream that follows—

Stewart Stevenson: Forgive me, but I asked a very narrow question on commercial confidentiality, and I do not want to open up the whole—

Colin Mair: Commercial confidentiality applies narrowly in some areas, such as waste collection and disposal. I do not think that it applies to sports and leisure services, which are now set up largely as charitable trusts throughout Scotland. Social care provision may be viewed in that way, but it should not be, and the future requirement for self-directed support—

Stewart Stevenson: Let us cut to the chase: is there a mechanism whereby you can share data on commercial relationships?

Colin Mair: Yes—absolutely. The knowledge hub that Mark McAteer mentioned allows for a completely private space that no one but key holders can access.

Stewart Stevenson: That is sufficient.

John Wilson (Central Scotland) (SNP): Good morning. The data make for very interesting reading. All three witnesses have mentioned the buy-in from elected members, and the Improvement Service representatives indicated that you have circulated a publication among all elected local government members.

I would like some clarification. Is there buy-in from elected members, or is the agenda being driven only at officer level, with a carrot-and-stick approach being taken towards elected members whereby, if they do not follow the benchmarking criteria or try to address some of the issues, a big stick is wielded against them? I seek your opinion on that view, gentlemen.

Ronnie Hinds: I give you a categorical assurance that elected members are fully on board with the benchmarking data.

John Wilson: I referred to all elected members.

Ronnie Hinds: Well, I do not know all 1,223 of them but, as a group, they are definitely on board with the work. You must remember that it was right that the work was led by officers, as it was management stuff to begin with. It would be surprising if 32 council leaders had decided to do the work, because it is within the remit of chief executives. That is why it was done in the way that it was.

That does not mean that we have done the work against the grain or the tide or that elected members are indifferent to it—they are not. However, we had to bring the work to a level of maturity and demonstrate that we could make the approach work before we could ask elected members to endorse it, which they have certainly done.

The framework provides an enormously powerful piece of accountability for elected members and they are quick to see its potential. If an elected member looks at the benchmarking data—you have clearly done so—they immediately have the question in their mind, "Why is my council in this position rather than that one?" I have already seen at first hand, as have others, the demonstrable power of that in the hands of elected members.

The added point, which Colin Mair made, is that we decided that we wanted the benchmarking data to be public. Again, public accountability is clearly an issue for elected members. If an elected member has to stand up in public and justify, explain or defend what the data tells us, they are going to go back to their officers with double intensity to ask, "Why is that the case?" We knew that that would be the consequence of producing the data, but we think that it is right to have done that. I am absolutely clear that elected members know the value of the data and how to use it.

The Convener: Mr Wilson?

John Wilson: Thank you, convener. I was hoping that Mr Mair or Mr McAteer would respond.

Colin Mair: I absolutely endorse what Ronnie Hinds said. We have had a lot of interest in our discussions with elected members about the issue. Their drive will be on outcomes, as I think that the committee's drive has implicitly been this morning, to be frank.

Part of what elected members want to know is that life and opportunities in life are improving for the people whom they serve in their area. I think that elected members would certainly raise the issue that Mr McDonald raised about the balance of indicators and would want to know whether they were having—or failing to have—a positive impact on people's lives in the area.

We are being challenged to move the benchmarking data work on. We have made a good start, but we need to get better at saying where the outcomes lie so that members can be satisfied about whether things are getting better across their administration or, if they are in opposition, so that they can be satisfied in that regard as they scrutinise.

The Convener: I will stop you there because I want to make a particular point. I will paraphrase what someone said at a committee meeting, which was that councillors go through performance indicators as quickly as they can. That is not my experience, because I am an anorak. However, if that attitude exists in certain areas, I am sure that it will exist in many. The question is how we get over that. In some regards, it is about how we make the area sexy so that councillors pay attention—I think that that is the key point.

Mark McAteer: I do not know whether I can make it sexy, but I will try my best. We have a development programme in place for elected members in which I think 18 councils now participate. Much of this material will be repackaged for learning purposes for members who have signed up to the programme. A raft of materials will be developed in the months ahead that will be targeted at those members, but it will also be available to members who are not part of the programme.

The Convener: I will stop you there, because you have just said that there will be a "raft of materials". Elected members are busy people. We get rafts and rafts of things, and the more rafts of material that we get on a particular subject, the less likely we are to delve into it in depth. I think that we must be careful about the production of materials.

11:00

Mark McAteer: We have a briefing series for elected members of documents that are typically a maximum of four or five pages long. The briefing will consider what an issue is, what questions it raises for elected members and how they can get further information. That is the broad template of the briefings. A series of those types of paper will be constructed from the data and targeted at elected members across the country.

We also run a masterclass programme, which is a series of workshops. It works across councils and across parties. That is programmed through to the summer. After the summer recess, when the next wave of masterclasses kicks in, benchmarking and discussions with elected members will feature as part of the programme so that we can physically bring members together to engage with some of the issues, including how they might use some of the information as part of the internal challenge process in their council. That will ultimately be determined by them and the issues that they raise with us. There will be both written and other learning materials for members and opportunities to engage with other councillors, without officers being present in the room, and ask "What does this tell us?", "What do we do?" and "How do we pick this up?" We are there to facilitate that exchange between the councillors.

The Convener: I ask Mr Mair to be brief, as I am conscious that I interrupted John Wilson's line of questioning.

Colin Mair: I take all Mark McAteer's points, but the critical point here is that elected members, certainly the ones with whom I work most closely, want killer stuff. They want less and more important rather than more and less important, so there is a question here about how much data is presented and what it tells elected members. If it tells them real things about their area, my experience is that they are hugely interested in it. If they feel that it is a pile of management information that is relevant to a tier 4 officer but not relevant to them, they are not interested in it. Part of the job here is to get killer kits together for elected members with the things that really matter, are really interesting and are really engaging. We need to put that in front of elected members and engage with them around it.

John Wilson: I will try to stay away from white-water or any other type of rafting and from killer kits for councillors.

The issue for me is that a lot of the decisions and a lot of the reporting on benchmarking are cost based. Local authorities have a democratic process in which they make budgetary decisions before the end of the financial year for the coming year. Some of the figures that we see before us clearly reflect the budgetary decisions that have been made between 2010-11 and 2011-12. As Mr Mair mentioned, decisions to transfer leisure services or other services out of council control to arm's-length trusts will show a decrease in cost, but some authorities still make political decisions

to retain services in-house rather than transfer them over. In cleansing, some authorities continue to operate a weekly uplift service while some have moved to a two-weekly service.

How do we measure the political decisions that local authorities make about service delivery when the benchmarking report puts things down in pounds-and-pence costs per head? When we took evidence on the matter last year, Councillor Cook from Scottish Borders Council said that local authorities will still be in a position to make political decisions as they see fit, but if you produce information such as this, surely there could be greater pressure on local authorities to make political decisions based on the benchmarking evidence that is before them and not on the basis of the quality of service that is delivered to residents.

Ronnie Hinds: That question goes to the heart of the issue, in many ways. The short answer is that it is done by a process of elimination. Ideally, how this ought to work is that, by the time we have stripped out all the other causes of variation, whether that is largely uncontrollable circumstances to do with sheer geography or the level of deprivation in a given community, and by the time we take out the inefficiencies that the cost indicators are showing us and the variations in performance that some of the other measures are showing us, what we should be left with are political differences.

That will be the position in an ideal world. I recognise that it is not as simple as that, but that is the construct that we have. The purpose of the exercise is to allow us to better segregate those different components. Once we can control for the variables that are, if you like, environmental, we should be focusing in on those things that are under our control as managers in organisations, and as political leaders.

If we do that, the variations that remain should result from the fact that political choices have been made that reflect a number of things, including geography. That is the key to it. We have never really been able to show that before. Without this breakdown of the data, if someone was challenged with a raw figure and it was said to them, "Your cost or performance indicator is this, but theirs is better," they could always excuse themselves by saying that it was a matter of political choice. It may have been, but we never really knew. This breakdown gives us a means of finding out, and part of the purpose of the framework is to enable us to answer the question a little better than we were able to do in the past.

On the final part of your question, I do not think that there is a risk that political members will steer by the wake and make policy decisions on the basis of benchmarking information. I think that

they will drive hard through accountability to people such as me to eliminate waste and variance, but they will then make policy decisions that are based on the resources that are left to them. In my experience, that is exactly what they do.

Colin Mair: I agree with what Ronnie Hinds says. I hope that the framework will inform people about the costs of political choices. If I benchmarked between the cost of care for an 80-year-old down south and the cost of care for an 80-year-old up here, people would have to factor in the policy choice that the Scottish Parliament has made about the provision of free personal care, which has not been made down south. A political choice has been made that means a higher cost for us up here, but it is a cost that we think is in line with our social values, our commitment to older people and so on. However, there is nothing wrong with saying that there is a cost attached to having those values and that that is a distinctive use of resources that we are choosing to make in the context of overall resources being finite. That is a pile of clichés, but you will take the point that the framework does not necessarily drive people down.

Costs worth considering include the cost of museums. The honest truth is that the cost per visit to a museum is driven by the scale of visitor flow. By Scottish standards, Glasgow City Council spends a very large amount of money on its museums and galleries, but it gets a staggeringly high visitor flow, so the cost per visitor is the most efficient looking in Scotland. A museum that the council thinks is culturally fantastically important in Orkney could not possibly achieve the sort of visitor flow that the Burrell collection in Glasgow could achieve, so the council makes a political decision that the museum really matters to its community, celebrating its life and history, and it funds it. However, there may come a point at which, if nobody is visiting the museum, the council will question why it is running it. If the unit cost gets up to a certain point, that alerts elected members to the fact that the choice that they have made needs to be reviewed. The benchmarking is aimed at that level, rather than necessarily at driving costs down.

However, as I said, I have anxieties about the waste collection and disposal side because we are measuring gross cost and not taking account of any income that is generated. That may be catching out councils that are trying to do the right thing and which should stick with that political commitment, the investment for which will be paid off over time.

Mark McAteer: I have nothing much to add to that. The key point in what Colin Mair said is that, from the outset, we envisaged that the framework

would provide elected members with information that they could use in making their decisions. If that is what it does, it is an aid to the democratic decision-making process. However, councils will have to stand by the choices that they have made. We have consciously not driven benchmarks—standard ways of doing things—because we believe that it is for the 32 councils to reflect the needs and priorities of their communities. This information simply adds to the decision-making process.

John Wilson: Colin Mair gave the interesting example of museums, which I have looked at. If the cost is counted by footfall rather than per head of population, there will be wide variations between neighbouring authorities, particularly in Glasgow's case. The overall cost as a percentage of the budget or per head of population will be skewed if the local authority has a large visitor attraction that people are prepared to visit. A smaller authority may aspire to have a museum reflecting local issues but, based on the benchmarking criteria, it may look as though it is spending grossly too much money on providing museum services compared to a neighbour such as Glasgow. That goes back to the issue that was raised earlier about families of local authorities. Mr Hinds referred to the need, in looking at comparisons between local authorities, to look at all the different factors in the decisions that have been made. When will we see those families set up? How quickly will we be able to look at that?

Further to Mr Mair's reference to expenditure on care for the elderly, expenditure on self-directed support might increase year on year by 15 per cent in one local authority and by 8 per cent in another. Those types of decisions, which are taken at local level, can certainly have an impact on the benchmarking figures. How do we get to the root cause of those wide variances while ensuring that, in so far as is possible, we compare like with like in looking at service delivery by different authorities?

Ronnie Hinds: Again, the question is very well put. Different variances can arise from comparing on one basis or another, such as cost per head of population or cost per footfall. That will be dealt with partly through the refinement of the indicators, which we talked about earlier. If there is a better way of measuring something, we will measure it in that way.

Another aspect is that people will drill down into the figures. Even if the indicator looks fine at a high level, when the professionals in a given area sit down with their peers, the discussion will naturally lead on to, "Well, it looks as though my unit cost is very high, but how many people go through your turnstiles compared to mine and what is that as a percentage of your population?"

That dialogue will unfold and we hope that a beneficial result will come out of that. That bears on the families.

To answer your question about the families, I will take that issue to SOLACE's meeting this week. As Colin Mair said, we have been discussing the benchmarking initiative every month that we have met, for as long as I care to remember, and we will carry on doing so. I will take the question about the composition of the families to my SOLACE counterparts later this week. I hope to get a definitive answer on exactly what families we will work within and on what basis.

Colin Mair: From the data in the benchmarking framework, it is clear that a family would logically form, for example, among those councils that have quite high levels of deprivation. However, that may not be true for every service of those councils. For example, I would not seek to explain variations in road maintenance expenditure in terms of the levels of deprivation of the population in those areas. Therefore, each council may belong not just to one family but to this family for the purposes of a particular service and to that family for the purposes of other services. In other words, I think that we will need to be fluid on that.

Secondly, when we have explored the issue previously, we have found that we can end up putting Glasgow and Clackmannanshire in the same family due to their deprivation profile. On the other hand, given the scales involved, people in Clackmannanshire will say, "Why the hell would we want to be benchmarked against Glasgow?" and vice versa. In a way, we need to balance a range of factors and have some flexibility around families rather than regard them as a straitjacket.

The final point to make is that sometimes we can learn from someone who is totally outwith our family. If a council is clearly doing something really interesting, all of us should learn from that. We should not hide behind families. Families can sometimes become an excusatory framework as well as a facilitative one. I agree that families are important, but I think that we need to be flexible and constructive, rather than rigid and inflexible, in our use of families.

The Convener: Thank you for your evidence this morning, gentlemen. You are not entirely off the hook because, from the start of the process, the committee has said that we want to continue to keep an eye on what is going on. Therefore, I think that we have pencilled in a return visit from you some time in September so that we can see how things are going out there and what difference the project is making throughout the country. We will see you again soon.

11:14

Meeting suspended.

11:19

On resuming—

The Convener: Agenda item 2 is another evidence-taking session for our inquiry into strand 3 of public services reform. I welcome back Colin Mair and Mark McAteer, not that they have really been away. I also welcome Ian Crichton, chief executive of NHS National Services Scotland, and, from Scotland Excel, Dorothy Cowie, director, and Hugh Carr, head of strategic procurement.

Does Mr Crichton wish to make any opening remarks?

Ian Crichton (NHS National Services Scotland): First, I welcome the committee's interest in shared services. I would encourage the committee to be ambitious about what Scotland can achieve, and I suggest that, in the times that we face over the next decade—members will be fully familiar with this—the country has everything to play for.

NHS National Services Scotland has been around for 40 years, so the discussions on whether shared services can work are always interesting for me. Our submission covers a range of services, from those that are health specific, such as the Scottish National Blood Transfusion Service, which ensures that we get enough blood to meet the needs of our hospital service, to those such as the NHS Scotland central legal office, in which we have 50 solicitors who do nothing but health business in litigation, property, employment law and contracts. We are fairly well used to providing a range of shared services.

There are lots of reasons why shared services have failed in the past and I encourage the committee not to dwell on those. Learning from the past is important but thinking about the future is more so. We believe that we offer a range of services that could be used beyond the health sector and I hope that as we go through the session we will touch on some of the areas in which we have tested the water to give members a sense of what we have found so far.

The NHS itself is an interesting space. I heard somebody in the previous session say that the good thing about the NHS is that it has a chief executive to provide leadership, but actually the NHS operates as 22 different boards so it is much more of a federation than a neatly controlled, single-point organisation. Our organisation has learned a lot about how to keep 22 different chief executives happy in their own bits of the organisation and providing an effective service.

The debate on shared services can sometimes focus too much on the concept rather than what we are trying to achieve. There are genuine benefits of scale from transacting shared services at a national level in a country the size of Scotland. Although my organisation is national, it is spread across 21 different areas of Scotland and we take pride in the fact that we deliver our services locally where we need to.

I want to make the clear distinction that, for me, shared services are not the same as collaborating around the citizen. The shared services that my organisation provides enable other bodies to do what they are better at doing than we would be.

The Convener: Do colleagues from Scotland Excel want to say a few words?

Dorothy Cowie (Scotland Excel): To echo Ian Crichton's comments, I welcome the opportunity to share our five years of experience. We are about to celebrate our fifth birthday, so we are not quite as long in the tooth as NHS National Services Scotland, but we have experience of developing and delivering collaborative contracts and of working with councils to help them to get better at procurement. I hope that that experience will be helpful.

We submitted a briefing paper that gives the background to and scale of what we do, so I will not regurgitate that. I look forward to answering the committee's questions about our experience over the past five years.

The Convener: Does Colin Mair want to say something about the Improvement Service?

Colin Mair: The Improvement Service is a shared service that is governed by COSLA and SOLACE together. We have had responsibility for working on their behalf to develop a range of shared services both across local government and in partnership with colleagues in other parts of the public sector.

Our submission covers two aspects. It reflects on key factors in being successful, as opposed to unsuccessful, with shared services. It also contains a case study on what is probably the largest shared service that we run directly—the customer first programme, which operates on behalf of local government, aspects of the health service and aspects of the Scottish Government, such as the national transport concession schemes and card services.

I have no more to add other than to echo and reinforce a point that Ian Crichton made. We have found that if we talk about purpose—about why we are doing something and what it will achieve for people—we have much more chance of getting engagement and people moving with something than we have if we talk about shared services,

which seems to be relatively close to being a doomed brand name. Too often in the past, we pursued shared services for the sake of shared services rather than because they would advance a practical purpose of efficiency or better outcomes for communities. That is the key learning that we take from our experience.

The Convener: Mr Crichton said that his organisation has existed for four decades. Apart from co-ordinating services across the NHS, do you have shared services with other public bodies?

Ian Crichton: Over the past year, we have had a programme of work to explore that. As we speak, a public services reform order is being laid before the Parliament that will give us the formal ability to operate beyond the health service. Thus far, we have not had that formal ability.

The Convener: On the formal ability, is it legislation or guidance that has stopped you operating in that way?

Ian Crichton: The terms of reference for my organisation are clear—it is there to support the health service. The public services reform order, on which we are consulting various public bodies and which the Parliament will consider shortly in whatever way it does that, will enable us to operate for other public sector bodies that might want our assistance.

That said, given some of the challenges and the forthcoming integration of health and social care, we have been keen to support various Scottish national initiatives beyond health, when we have felt that we could add value and when the risks of going marginally beyond our remit were small.

I will describe what is probably the most significant initiative. Members will be familiar with the McClelland reforms on information technology. We have supported Scottish Government procurement in relation to a wide area network for Scotland. One of my shared services is the national information assistance group, which has done that technical procurement. We can do that because the construct of the BT contract that the health service in Scotland has is similar. We have a lot of expertise in telecommunications and IT procurement that we can bring to bear to help Scotland. We are leading the procurement of that IT programme in partnership with local authorities.

The Convener: Will Ms Cowie and Mr Carr give us an example of the best piece of procurement that you have done across the board and say how much that has saved in your five tender years?

Dorothy Cowie: Crikey—it is quite hard to pick.

The Convener: The question should be easy to answer; the issue would be top of my agenda.

Dorothy Cowie: If we are looking at percentage savings, the contract that has probably been the most significant is that for washroom solutions, although it is not a terribly exciting contract.

The Convener: Tell us about it.

Dorothy Cowie: It was quite fragmented. The heart of the operation—I guess that it is one thing that makes us successful—is that we do not do things in isolation; we work very much in collaboration with local authorities, which come along and inform the strategy.

The Convener: You said that the washroom solutions contract was the greatest success. Can you tell us a little more about that and how much it has saved?

Dorothy Cowie: Can I pick a better example? I referred to washroom solutions because of the overall percentage. The contract that probably gives local authorities the biggest return every month is for heavy vehicles.

The Convener: What kind of savings are we talking about?

Dorothy Cowie: Hugh Carr has the numbers. He delivers the contract, so I will let him talk about it and about the changes that we have made.

11:30

Hugh Carr (Scotland Excel): One thing that has become apparent as we have continued to develop our contract portfolio is that some of the greatest savings come from the most unlikely sources and are testimony to the old adage and cliché about economies of scale. When we originally awarded the contract, the forecast spend on heavy vehicles was around £15 million a year. However, with the joint collaborative contract, the combined spend is more than £20 million a year, and we are seeing savings of approaching 10 per cent on that basis.

As I said, some of the best contracts come from the unlikeliest sources. To pick up on a point that Dorothy Cowie made, one of the reasons that I can attribute to that is that heavy stakeholder engagement is at the heart of what we do in our collaborative contracts. We have very active forums with the local authorities, particularly the roads and transport forum with the transport and fleet managers. Some of the vehicle contracts yield savings in excess of what we expected, partly because of the degree of stakeholder engagement that we manage to acquire.

The Convener: You say that you have achieved savings of 10 per cent in that contract across the board. A canny barterer—me, for example—could probably go out into the market at this moment and get 10 per cent off any vehicle that they

wanted to buy if they were clever about it. Why do you think that that success is down to your organisation rather than anything else, including the current market?

Dorothy Cowie: I think that it is a matter of horses for courses and that the market conditions can be quite challenging.

I would like to rewind and start again. I picked washroom solutions to give members an idea of the magnitude of some of the savings that the organisation has been able to deliver. In pound note terms, the savings in that example are probably not a lot, but it shows what—

The Convener: What were the savings in percentage terms?

Dorothy Cowie: In washroom solutions?

The Convener: Yes.

Dorothy Cowie: Some councils saved up to around 42 per cent. That was not a lot of money, but I chose that example because it shows the value of collaboration.

If members can bear with me, there are a couple of other examples that I would like to share with them.

I am always keen to ensure that Scotland Excel is not seen as being just about delivering things at the lowest cost. Scotland Excel, as a 32 local authorities-wide organisation, has been in place for five years, but it was built on the back of a west of Scotland collaboration that had been in place since 1996. I came in in 2006 with a remit to develop a national approach.

Quite a lot of the Authorities Buying Consortium's contracts were in the traditional areas that procurement services got involved in. I am talking about things such as exercise books, wheelie bins and vehicles. Scotland Excel's remit was to look at some of the high-spend areas for local government in construction and social care. If members asked me to pick out examples that I am most proud of, they would be in areas in which professional procurement has not really been involved. I suppose that we have dispelled the myth that those areas could not be gone into. Some of the benefits that we are particularly proud of are not necessarily to do with cost savings; rather, they are to do with improving outcomes for service users or relationships with suppliers.

The Convener: Tell me where there has been a great change in outcome, please.

Dorothy Cowie: Our telecare contract is a good example. That is very much a monopoly contract—there is a monopoly market. For a long time, local authorities incurred quite heavy costs for connecting telecare equipment with internal systems, and the near-monopoly supplier was very reluctant to engage with individual authorities to change the standards that were used.

When local authorities got together and went to the market on a consolidated basis, the supplier took that barrier away, which meant that councils were able to connect up the equipment to other services in their own areas. The whole challenge of interoperating those systems was removed, and that meant that the services that councils were able to provide were much improved. We got cost savings there, and we took away a lot of additional hidden costs for councils. We hope that that improved the service.

Stewart Stevenson: My management guru, Fred P Brooks, wrote a wonderful book in 1974 called "The Mythical Man-Month". One chapter is on the non-commutativity of time and effort. In other words, it might take 10 hours for one man to dig a grave, but that does not mean that 10 men can dig it in one hour. Mr Crichton referred to economies and benefits of scale. If we were to identify, through the aggregation of services, that there are actually disbenefits of scale, would you have a process, and would you have the courage, to recommend the abolition of your service?

Ian Crichton: I will start at the back and work forward. If I felt that my organisation did not add value to Scotland, I would be duty bound to recommend its abolition. I am clear with myself on that.

Your point about scale is a good one. In theory, there are economies of scale and diseconomies of scale. The trick is picking the right point—the sweet spot. As I said, we need to start with the purpose, as opposed to whether the service is shared or not.

Scotland gets two major things from my organisation in terms of scale. First, as I said, we have 22 health boards, and if I can do something once, rather than have 22 different health boards do the same thing 22 times, there is a genuine saving from that. Secondly, many of the things that I do are quite specialised. If we consider the facilities experts in Health Facilities Scotland, we can recruit from a pool of only about five or 10 people in Britain for the level of expertise that is required. An individual health board would not have a hope of amassing that kind of expertise in one place, but I can do it for Scotland.

There are definitely some services that are hugely beneficial. The NHS Scotland central legal office is an example. Scotland's performance around patient litigation concerning mistakes made in hospitals and so on is infinitely better than that of England, even when adjusted on a pro rata basis. England uses private lawyers, whereas we use public lawyers. For every case that they consider, our lawyers have an expertise that is

built around knowledge of the NHS. We might think that we have seen it all—perhaps we have not quite seen it all, but for most cases we will have come across something similar before, so we are very comfortable with the environment in which we work.

We can be quite transparent with our performance. For instance, at the end of litigation, both sets of lawyers' costs will be published, and we know that we are cheaper. We also consider the number of cases that we win, and we perform very well in that respect, too. Those are some tangible examples of where there is a genuine effect from scale.

The purpose of my organisation is to support Scotland's health. Patients are extremely important—they are important for the broader health service, where the territorial boards are hands-on. The patient does not need me around their bed, and I do not want to be around their bed. I want to ensure, however, that there is a bed for the patient to be in—so we buy the bed, and the bed works. I want to ensure that practice around the patient is safe, and we provide a range of services that do that. We have a role, and there is a real role for shared services around how to enable different organisations to deliver the services that they need locally.

Stewart Stevenson: In our discussion with the previous panel, we focused on local government's benchmarking activities. When you centralise and use a single service, who do you benchmark against? Do you do benchmarking, and what do you learn from it? That question is not just for Mr Crichton—it goes to all three witnesses.

Ian Crichton: We do not centralise; we standardise. There is an important distinction. For example, on benchmarking, a decision was taken last year that it would be highly advantageous for Scotland to start to do better on looking after its health service facilities. We therefore commissioned a survey of the entire estate. That was done in partnership with all the boards, but we commissioned one survey, so there was one way of doing it across the piece. From that, we came to understand the scale of the maintenance backlog that the NHS faces and we generated accurate benchmarking data that was not variable. We did not have 22 boards picking different estate agents or others to do the survey. We commissioned the survey and ensured consistency in the way that it was done. However, it is for the local areas to work through the results of that.

I listened with interest to the committee's earlier evidence session on benchmarking. We absolutely get benchmarking from standardising the way in which we do things. On centralisation, by design, we have 21 different offices, because where we

are best deployed depends on what we are trying to provide.

Dorothy Cowie: We benchmark in a couple of areas. In bringing together 32 councils through the contracts, we are, I guess, benchmarking them against one another, and that has been a useful learning experience in itself. We work closely with the other procurement centres of expertise in health, higher and further education and central Government, and benchmarking takes place there. For areas that are specific to local government, we tend to benchmark against England and Wales.

We also use market research reports that we buy in. One benefit of doing that through an organisation such as Scotland Excel is that we have to procure such reports only once. We also have the luxury of having people with sufficient time to go through those assessments. If that was being done 32 times in councils, it would not be possible to build up that level of expertise. That is how we do benchmarking in relation to the contracts.

The earlier discussion on benchmarking was interesting. In procurement, there is national work called the procurement capability assessment— Ian Crichton's organisation carries that out, too. That is a framework that we developed nationally across the procurement community that is used to assess procurement capability in health, higher and further education and local and central Government. We work closely with Ian Crichton's procurement team to compare and contrast, learn lessons, swap notes and take things forward.

I am keen for us to start to expand the boundaries of that. The procurement capability assessment is based on a maturity model, with the top level being world-class procurement. I am keen for us to start to broaden that out from just the public sector. At our most recent annual event, a private sector organisation came to talk to us so that we could learn lessons from what goes on in the private sector and apply the bits that are applicable to what we do in the public sector. That is our approach.

Stewart Stevenson: Clearly, standardisation can deliver short-term benefit but, equally, it carries with it a potential longer-term risk. That risk is captured by the first law of epigenetics, which is that the more highly optimised an organism is for one environment, the more adversely it is affected by change in that environment. How do you protect against the risks of, if you like, betting on one good standard solution today that might be whisked away from you in the not-too-distant future?

Ian Crichton: The answer to that is about choosing where we standardise. To return to the legal example that I used earlier, it is important to

me that we have a standard approach to things such as customers understanding how they engage with us and the costs that they might expect, and the fact that we transact under Scots law. However, we expect discretion from each individual lawyer in dealing with cases, because each case is different, so we cannot take a cookie-cutter approach. The cookie-cutter approach that we are taking is about ensuring that the quality of lawyer, the training and the accessibility are at a certain level. Those are the choices that we make, but the service is then customised to meet the client's need.

If we are customer-driven or customer-centric and if the reason for the service is to generate an outcome for the customer, that helps to avoid becoming some big frumpy thing that cannot move and which generates things that look okay from a scale/cost perspective but which do not bring value in the sense of innovation or new thinking.

Dorothy Cowie mentioned the capability assessments, which are important. I have a team that is dedicated to that. It is not my capability that they are assessing—they go out to health boards and help them. The point is that the level of expertise in somewhere like an island board with three or four people will be totally different from the level of expertise in somewhere like Glasgow. We can help Glasgow to get even better, but what it gets from us will be different from what, for instance, Shetland gets from us.

There are a range of ways to mitigate the risk that Stewart Stevenson identifies. However, it is a valid point, which is why we need the organisations that do such work to have an understanding of what they are doing and to manage the risk effectively.

11:45

Colin Mair: I have a point about standardisation and the argument around economies of scale. As we move towards integration—rather than aggregation—and as integration becomes the key focus of public policy in Scotland, if we have standardised in different ways in different parts of the public sector, such as health and local government, when we come to consider how to put together a health and social care partnership, we get into the issues raised by the first law of epigenetics. Which version of standardisation should characterise how a health and social care partnership goes about its business? There are genuine issues about the way in which we have conducted standardisation.

In support of Ian Crichton, frankly, there are areas where the issue is economies of skill rather than economies of scale. We need the ability to generate a critical mass of expertise—in other words, something that cannot be done in any one of the 32 councils can be done across them.

I absolutely endorse the point that we need to pick our targets. We created the myjobscotland website, where all councils advertise their employment vacancies. That requires a fairly standardised way of putting out job adverts and so on, but it saves councils the best part of £5 million per annum and gets a far better uptake than we ever got through newspaper advertising and the other methods that we used previously.

In one sense, that is a bog-standard thing, but it gives us a collective presence, takes a lot of cost out of the system, speeds up the application process and is well viewed by applicants and councils.

Therefore, there are areas where we can simply standardise and there is no loss to anybody. Each council can have its own micro-site, so if Argyll and Bute Council wants to tell people how beautiful the area is and what a fabby place it is to work, it can do that on its bit of the site. However, the bog-standard process still underpins that.

John Pentland (Motherwell and Wishaw) (Lab): I was going to ask about that later, but I will ask my question now, as Mr Mair has introduced the issue. There are different views about whether shared services are successful. Mr Mair, your submission states that

"'shared service' is a doomed brand name"

and you identify six key points that probably give us reasons for that. Do you have any solutions that would improve the situation?

Colin Mair: I emphasise that I said that talking about shared services as ends in themselves is a doomed exercise and that we need to talk about purpose, outcome, cost and efficiency. My point is that, when we focus on those things, we get leadership and engagement from staff. When people see themselves as being caught up in an abstract desire to create a shared service, we get a mammoth amount of resistance.

My six points set out what we need to have in place to take that approach consistently. Many of them almost echo one of Ian Crichton's earlier points. It would be good if we had all been here for 40 years and had all the information generated in that time. The trouble is that, as we are starting with 32 councils, baselines are difficult. Many of the efforts on shared services in the Clyde valley and elsewhere got terribly bogged down because of the absence of good baselines and benchmarks at the outset. It took so long to rectify that that much of the will, impetus and momentum had gone. The more we can improve and standardise the core information that we keep, the easier it will

be to look at where shared services opportunities arise.

Another element is precision. At the beginning, we generated huge shopping lists of services that could, in principle, be shared. There were no other arguments; services were just on the list. The process was terribly back-office focused, even though such services form only a small proportion of the cost of running public services, so we became weirdly obsessed with one narrow area.

Hearteningly—as I documented at paragraph 2 of my submission—a lot of things are now happening that involve more out-there services. For example, how do we get together to collaborate on road maintenance? A whole range of scientific services—council and Scottish Environment Protection Agency services—are being integrated into a single service in Scotland. How can we build a more robust and resilient framework through that sharing exercise?

My point was not that shared services are a bad idea but that we have been talking about them in a certain way and using "shared services" as a brand name. All the things that councils have found easiest to do—which include the public service improvement framework, the myjobscotland website and our public notices framework, which allows people to go online and pull up the ways in which local authorities will mess up their lives in the coming month on their travel-to-work route and so on—have happened because we did not call those things shared services at all.

We talked about the purposes and outcomes to be achieved and about improving customer service, but we never used the term "shared service", so those things happened easily. When we set up a shared services programme, that appears to create a pattern of resistance almost because we have used that language. I was simply making an observation about language rather than the merits of shared services.

Margaret Mitchell: Good morning, everyone. I thank Scotland Excel for its briefing, section 7 of which states:

"Scotland Excel is ... an example of a successful shared service".

The briefing mentions the framework contracts and notes:

"For every £1 invested in the operating costs of Scotland Excel, the sector sees a return of £4 in direct cost savings."

What do you include in those operating costs?

Dorothy Cowie: Salaries and transport are the main thrust of Scotland Excel's costs; we do not have many non-salary-related costs.

Margaret Mitchell: The briefing refers to your headquarters in Paisley. Are they located in council property?

Dorothy Cowie: Yes.

Margaret Mitchell: Is a nominal price put on that? How much are your operating costs?

Dorothy Cowie: We pay Renfrewshire Council rent for the premises. We are based in Paisley, and we have a couple of staff in Edinburgh, the Highland Council area and Aberdeen. The running cost for the organisation is £3.247 million this year, and it will drop slightly next year.

The savings that we have generated over the past four quarters purely from the contracts that we put in place—not from any of the additional stuff that I have mentioned, such as the savings that councils might be able to make through interoperability in telecare—amount to £16 million.

Margaret Mitchell: Do you start from a baseline every year? Let us say that you have delivered some savings. You start again at year zero, but your overheads—such as your staff and the market research that you are building in—continue, and yet every year you are delivering £4 for every £1 invested.

Dorothy Cowie: The market research is part of the £3.247 million; it is one of our extra costs over and above staff. Most of our contracts are in place for two to three years, and some have the option of being extended to four years.

We calculate at the start of the contract award process the difference between what councils are paying and what they will pay through the Scotland Excel contract, and we come up with a percentage. We apply that percentage, which can vary widely among councils, to the spend that we capture from our suppliers that is going through the contract during that period.

Margaret Mitchell: Is a breakdown of that available? Do you publish that information every year?

Dorothy Cowie: One of our many governance arrangements involves our chief executive officers management group. Every quarter, the group gets a report that shows the make-up of that £16 million saving by council and by contract, so the savings can be seen across the 32 councils and across our range of contracts.

Margaret Mitchell: Are your operating costs broken down and published?

Dorothy Cowie: Yes.

Margaret Mitchell: Are they in the same document?

Dorothy Cowie: No. That information is separate and it goes to our joint committee—we are governed by a joint committee of 40 elected members.

Margaret Mitchell: So it is possible to look at that information.

Dorothy Cowie: Absolutely.

Margaret Mitchell: It would be interesting to look at it.

Dorothy Cowie: I would be happy to provide the committee with some information, as it would save you from having to look for it.

Margaret Mitchell: Thank you.

I will ask Mr Crichton a similar question. How many people are employed in NHS National Services Scotland and across the eight support services that you have listed?

Ian Crichton: My organisation employs about 4,000 people, which amounts to about 3,500 whole-time equivalents. The distribution varies hugely by service. We have a couple of hundred people in national procurement. We try quite hard to ensure that procurement does not focus just on savings, because the quality of what we buy is extremely important.

It is easy to underestimate the complexity of the public procurement legal landscape. It was mentioned that it is possible to go to a garage and negotiate a 10 per cent discount on a car. That is the case but, although someone who tried to do that in a public procurement arena might get a discount on the car, they might subsequently find themselves in court for breaching European Union rules.

There are many highly constraining rules. As we move forward, we need to ask—particularly in relation to big contracts—how many people we want to learn those rules and how well connected they are to, for example, legal advice to do with those rules.

The Convener: We hear about constraints in procurement all the time. Centralisation and standardisation have been mentioned. Do you think that we sometimes make a rod for our own backs by trying to procure too many of the same thing at one time, which probably drives up costs, because of the need to deal with the European rules, rather than driving them down, which could be done with a good negotiator?

Ian Crichton: No, I do not. The McClelland approach to procurement was clear. It broke things down into three categories in quite a sensible way. It recognised that there was a category A, which is for things that can be bought nationally. Risks are associated with that, because it is possible to end up aggregating demand and

supply but, overall, that approach has forced the different sectors to think about how they manage demand rather than just what they buy.

Category B is sector specific, so—

The Convener: Do you think that that is the case? Does that approach make people think more about what they are buying?

Ian Crichton: I think so.

The Convener: That is not my experience in areas such as IT. When it comes to schools buying IT equipment, folk spend an absolute fortune on equipment to get rid of budgets at the end of the year. If they had spaced out the buying throughout the year, they could have got the equipment at much reduced rates.

Ian Crichton: You will find plenty of examples of people doing silly things at the end of the year.

There is a local authority that I am deployed in to support. It has an IT contract that did not involve a banner negotiation, and it got its consulting advice from the people from whom it bought the IT. I have the capability to give the authority advice that is in its interest, because I am acting in the public interest, not in the interest of whatever company it chooses to use. Those are the positives.

You can undoubtedly find situations in which something was bought nationally that could have been bought more cheaply locally. One of the challenges that we have when we buy on frameworks is that, once people have gone to market and put the framework in place, the people who lost have nothing to lose by providing much cheaper deals to people who are on the framework who have an option to opt out. However, over time, the health service has worked through that culture so that we have a three musketeers-type approach—it is all for one and one for all.

We will go to market on certain things and get people a really good deal. In some cases, we will even be able to shift the market, because we can leverage scale. With other things, it might well be better for people to buy locally. The classic McClelland category C example is taxis. National taxi contracts make no sense for anyone.

The important thing is that a shared service is a service. I am totally against the idea that myplace, for example, would be imposed on bodies to force them to buy things. Myplace is there to ensure that if, collectively, we agree that there is benefit in scale, we will go to market and get that scale. My organisation has a responsibility to manage the legal risk and to deal with the market.

We are majoring on procurement, but we do a lot more than that. I have people who do nothing

but develop an understanding of the marketplace so that, when they go to the market, they know what they are buying. That does not mean that I can always secure value, but it means that our buyer is well informed.

12:00

Margaret Mitchell: What are the total operating costs of NHS Scotland annually?

Ian Crichton: I cannot tell you the figure for NHS Scotland. For NHS National Services Scotland it is about £580 million.

Margaret Mitchell: Are analysis and review always undertaken of the various support services to see whether there is a better way to provide them—for example, to see whether providing them nationally is the best way forward?

Ian Crichton: Yes.

Margaret Mitchell: How is that done?

Ian Crichton: It works in various ways. We do it differently for different services.

Margaret Mitchell: Let us move off procurement and on to something else, such as information technology.

Ian Crichton: There is a steering group that sits above IT that is not part of my governance; it is part of NHS Scotland's governance. There are two boards: a strategy board, which worries about how IT is done across the piece and what we are strategically trying to achieve at the national level; and a programme board, which is more about the techie guys sitting down and comparing who is doing what in IT. Those bodies—not me—direct the priorities for my organisation, and that enables the stakeholders whom I support to influence what we are tasked to do. We report back to those bodies on progress and performance.

Once a year, service audits are done so that the service auditor can assure the different boards on which we operate that we are delivering value for money and that what we have told them that we have done is in fact what we have done. We do a myriad of such things to provide reassurance to our customer base.

Margaret Mitchell: On visits, we have heard that computers in the health service do not talk to each other, because they are on different systems. Where does that problem land? Is it with you, nationally?

Ian Crichton: I do not provide 100 per cent of the health service's IT; I provide a range of five national services. One of those services is an integrating service, which is starting to join different systems together. The IT landscape in the health service is complex, with things at very different stages.

If we look at the journey that we have been on over the past five years, my organisation has been heavily involved in supporting NHS Scotland to improve its architecture and consulting and to start thinking about all the different joins and how they work. It has supported the health service in converging. For example, there were 10 different patient management systems five years ago, whereas about 70 per cent of Scotland is now on one patient management system. IT remains challenging, but my organisation is starting to be able to provide people with expertise that we have perhaps not had at the local board level and to encourage boards increasingly to make those joins.

Margaret Mitchell: Who is leading that?

Ian Crichton: The health strategy board takes the lead in determining what Scotland will prioritise in joining up its national IT.

Margaret Mitchell: You are satisfied that your input, the amount of money that is being invested and what you are providing are ensuring the best and most effective use of money in delivering a service in which the computers all talk to each other.

Ian Crichton: We can always do better. One of the challenges in procurement—whether it involves IT or anything else—is in getting good front-line input. Often, the debate is about the local procurement department versus the national one. However, what determines the relevance of what is bought is how well local needs have been identified by people who are not procurement people. Strengthening that commissioning continues to be a challenge for the NHS and other bodies. We must improve the commissioning; the procurement is the technical bit.

Margaret Mitchell: I suggest that it is a very important technical bit.

Ian Crichton: It is, but I suggest that most of the failures in the IT procurement space relate to the requirements not being properly understood and translated into a contract and then to the challenges that organisations have in managing a contract once it has been negotiated. The Atos contract is a huge contract for NHS Scotland, and it is very complicated to manage. An organisation needs to be able to manage the vendor once it has the contract and not just to negotiate the contract. That is another area in which we can provide strength.

Margaret Mitchell: You can provide leadership and an overview.

Ian Crichton: Yes.

Mark McDonald: I should point out that I was appointed by Aberdeen City Council to be its representative on Scotland Excel, although I never managed to attend a meeting, because the meetings always ended up clashing with other events.

Are all 32 local authorities signed up to every procurement that is undertaken by Scotland Excel?

Dorothy Cowie: No. All 32 councils are members, but—I suppose that this may answer a couple of questions—we do not have a one-size-fits-all approach. Councils choose to opt in or opt out. Sometimes, the nature of the contract that we are providing might not fit in with a council's overall business model. Sometimes, a specific local issue might need to be addressed.

As Ian Crichton outlined, when we analysed the opportunities for our contracts, we found that a local approach provided a better fit for some issues, such as taxis. We have a mixed economy: most councils participate in most contracts, but not all councils participate in all contracts. I hope that that answers your question.

Mark McDonald: I would find it interesting—I am not sure about the rest of the committee—to know how many councils are signed up to the contract portfolio that is listed in your submission and what savings those councils have realised. You mentioned the combined savings that have been delivered, but what savings have individual councils realised? Obviously, individual councils might not wish to give some of that data, but it might be beneficial to have the data if it is available.

Dorothy Cowie: That forms part of the report that goes to the chief executive officers management group and it is available on the web.

The Convener: It would be useful for the committee to catch sight of the most recent such report.

Dorothy Cowie: We would be happy to provide it.

The Convener: Like Mr McDonald, I am an anorak when it comes to these kinds of things.

Mark McDonald: Indeed, you taught me well, convener.

I will shift on to the shared services agenda, on which everyone might want to chip in. I note that Colin Mair's submission makes a point about the challenge of the long-term realisation of outcomes and savings and the short-term nature of politics, which I have majored on quite a lot over the years. How do people see us getting beyond some of those blockages? In general, getting politicians to agree to something whose benefits will not be

seen for 10 to 15 years is a difficult sell. Some of the benefits may come more quickly than that, but the optimal benefits might not be realised for perhaps another 10 years.

Colin Mair: People are engaged in such a process now, at national and local levels, in relation to prevention. Better integration across the public service in dealing with prevention will pay off, but it will not pay off in any timescale that is directly salient to anyone in this room being re-elected.

Such investments—particularly the efforts that we are starting to make on the very early years, at prenatal stage and so on—will pay off across 10, 15 or 20 years. Because the pattern of outcomes that we have achieved across the past 50 years is dire, the case is made almost negatively, in that we cannot conceivably carry on in the same way, because we would simply reproduce that pattern over time. That is the issue with a lot of shared services.

To take the example that I used in my submission, let us suppose that the committee felt that someone should explore the idea of a payroll Scotland service, whereby every single Scottish public servant—whoever and wherever they were—was paid through a single payroll system. There would surely be economies of scale in that and so on. The honest truth is that we would not expect Angus Council to drive that. Angus Council is interested in the people and communities of Angus. It has a perfectly functional payroll system now so, if there were to be 20-year benefits from the total integration of payroll practice across the Scottish public sector, I suspect that the drive for that would need to come from the Government downwards rather than from a local council upwards.

There is a space in how we create security around longer-term programmes, which people feel are often high risk. Promising benefits 10 years from now is like not promising benefits at all, because nobody will be around to notice. Indeed, 10 years from now, people will have forgotten that those benefits were supposed to arrive. In a political system that is geared towards four-year or five-year cycles—and with a financial system that is geared largely to three-year cycles, although people can do longer-term financial planning—there is a genuine difficulty with the requirements that would need to be put in place for some shared services to make sense, which is that they have much longer-term realisation rates.

You could proceed by fiat—in one sense, Ian Crichton's organisation is an example of an organisation that exists due to a decision of Parliament. If an organisation is set up statutorily, a plan can be developed for how best to play from such a position. However, as Ronnie Hinds

emphasised in the previous evidence session, in local government there are 32 councils that are independent constitutional entities in their own right; they are self-governing and so on. They have to be persuaded that there is a good business case in the foreseeable future for going down a shared service route.

My final point reinforces a point that Dorothy Cowie and Ian Crichton made about benchmarking. In some contexts—that of the Clyde valley programme, for example—we found that the creation of the benchmarks and the baselines caused individual councils to go off and massively improve. Without putting a shared service in place, we got a staggering improvement against the benchmarks, because people were suddenly aware—for the first time—of what the benchmarks were. There are benefits to be had even if an exercise leads to the conclusion that there is no good case for creating a shared service; efficiencies and improvements can still follow.

The Convener: Mr Mair, before the other witnesses answer Mr McDonald's question, I have one. You said that the Clyde valley experience led other councils to go on and improve. Where is the tangible evidence that there was improvement?

Colin Mair: The evidence is in the councils' own measurements against their own benchmarks. For example, information and communication technology was one of the strands of a potential shared service. It emerged that it did not have a terribly compelling business case—quite a high risk factor was attached to it. However, it gave councils ways to compare their relative performances, costs and so on and that led to improvement and they continue to—

The Convener: Did councils perhaps just change their measures because they saw that other councils were measuring in a different way?

Colin Mair: That is a proposition that I have not investigated in depth. I am quite happy to go off and do so and report back to you. However, councils were using the measures that they started from as the benchmarking basis of a shared service case.

The Convener: It would be interesting for the committee to see whether there were tangible changes. We hear a lot about things being improved here and things being improved there, but it is difficult to get proof of that. If you could find us that information, we would be grateful.

Colin Mair: We will.

The Convener: We will move back to answering Mr McDonald's original question. Mr Crichton?

Ian Crichton: There are a couple of different points in the question. If we consider what is achievable within the five-year political lifespan, I do not subscribe to the idea that everything that is worth doing needs to take 20 years. For example, five years ago, the NHS had no national capability for distribution and warehousing. The minister for health at the time made an active decision that they wanted it. We put it together and, today, every health board in Scotland is serviced from a central distribution point at Larkhall. The benefit is not just the fact that you have all your goods in one place or that you have a resilient distribution network, with transport going all over Scotland even in bad weather; it is the expertise that you start to have about how you manage the ordering of goods at the ward end—at the hospital end— and all the knowledge that you accumulate. We have achieved that in five years.

The business case was set out—committee members can have a look at it if they want to see something tangible about what has been achieved. It was complex but, because there was a definite focus, we were able to make progress in a relatively short time. Not everything is like that. Some of the really big set-piece stuff, such as joining up information support or health and social care integration, will be a much bigger thing to bite off. However, you want a combination of smaller things that can be done more quickly and that make a big difference together with bigger things that are done over a longer time.

As I told you earlier on, one of the benefits that one gets from some of these shared services is expertise. Colin Mair is familiar with the pilots that we have been doing with two local authorities to test out our expertise and see whether it could help. That is an example that is perhaps the opposite of what you are talking about. It is not a big bang-type thing; it is a small, grass-roots, putting-people-with-a-common-interest-together-type thing.

12:15

Just to give you a flavour of that, in one local authority area, we put the council's facilities people together with our facilities people and got them to talk about what we could share that would be helpful to them. Those people are now working on about 14 different things, including the council applying the health service's national cleaning services specification for facilities to its own facilities—after all, a lot of scientific work has gone into that specification and it can be used as it is. The council is also looking at our facilities monitoring tool because—surprise, surprise— monitoring a local authority facility is not that different from monitoring a health service facility. We are also working together on adapting for care

homes the NHS's national food, fluid and nutritional standards for hospitals because—surprise, surprise—the people in those homes are no different from those in hospitals. Their average age might be a bit older, but their nutritional needs are the same. We could have 32 councils working all this stuff up themselves or we could start working together better and using well-evidenced approaches that work. I get as excited about the small stuff that can be done to do the right thing locally as I do about the big national stuff and we really need to be doing both.

Dorothy Cowie: I echo those comments. When we started five years ago, we were up and running pretty quickly, albeit on the basis of what we had inherited from the Authorities Buying Consortium.

Again to echo Ian Crichton's point—and speaking from my experience over the past five years—I have to say that we were not really seeking to change the procurement community; actually, we were plugging a gap. As Mrs Mitchell has suggested, procurement might be very technical, but it is very important. There was a little bit of tension to start with, but our experience is that, if you start small, build up trust and get people on board, you will find it much easier to expand things. That was certainly our experience in vehicles and waste. Because we were a bit of an unknown quantity—people did not know how we operated or what was going to happen—there was some fear, so we did a couple of pretty minor contracts and as a result of working with people and getting them used to Scotland Excel's way of doing things, which is very much about collaboration, they are bringing more and more to the party and both contract portfolios are expanding well.

We need a mixture of both approaches that have been mentioned, because key for us has been not just stakeholder engagement and the need to build up relationships but the leadership aspect that we have already discussed and the support that we have received from elected members through the joint committee and from the chief executive officers management group, which comprises six of Scotland's chief executives. On the basis of the past six years' experience, I think that those are among the key ingredients for success.

The Convener: Before I bring in Mr Pentland, I have an anorak-ish question about some of your regular, everyday procurements. Do councils use the PECOS system to buy in to you?

Dorothy Cowie: About half do. The system is not universally used by all councils. Some with back-office ledger systems have chosen to use the purchase order module but, irrespective of what electronic procurement system is used, we develop and deliver catalogues for all of them.

The Convener: Thank you. That was very useful. I call Mr Pentland.

John Pentland: Convener, you will be pleased to know that Mr McDonald has already asked my question about contract portfolios. I thank him very much for that.

Mark McDonald: Happy to be of service.

The Convener: That was brief and to the point, Mr Pentland.

John Wilson: Convener, I apologise for not being present for the earlier part of this evidence session.

I thank Scotland Excel for its submission. I note that the contract delivery schedule contained in appendix 2 refers to fostering, adult specialist care and residential children's care. What exactly are you doing in those services? Usually one would expect local authorities to deal directly with fostering services and residential children's care, and I find it strange that Scotland Excel has been asked to become involved in that type of procurement.

Dorothy Cowie: I know that the committee was keen to understand how these kinds of opportunities developed. When we analysed spend across the 32 councils, we started off by looking at the areas where a vast number of the local authorities in our community were spending significant amounts of money with the same suppliers. The area of fostering came up very early in that analysis, largely because of the very small number of very large private foster care providers that are involved. We found that total annual spend was about £40 million, the vast majority of which was going to the handful of providers—there were perhaps five or six of them—that most local authorities were dealing with independently.

That was the rationale behind the foster care contract, which took a couple of years to develop using the kind of expertise that, as Ian Crichton has pointed out, Scotland Excel can pull together from directors of social work, social workers, COSLA and the Scottish Government. Indeed, last Friday, the elected members gave us approval to go ahead and award those contracts.

John Wilson: So, instead of private foster care providers negotiating with individual authorities, local authorities will now go through Scotland Excel and there will be a flat rate and so on. Out of curiosity, if a local authority had already negotiated a good rate with foster care providers, is there any guarantee that the Scotland Excel rate would be lower than the rate that had been negotiated?

The Convener: Mr Wilson, I think that you were out of the room when someone said that local authorities can opt out of any of these contracts.

Nevertheless, it is important to stress that point again.

Dorothy Cowie: Absolutely. Because the contracts cover a range of services, it is hard to make a straight comparison, but most of the councils participating in the contract are very keen to use the Scotland Excel framework for new placements. However, it is up to them. There are a number of providers on the framework and individual local authorities can choose which of them to use.

That said, going back to the original question, I think that an awful lot of good stuff is being done in the fostering framework with regard to the arrangements that are in place, the contract itself and the quality of information that will come back to local government to help it manage those providers, some of which are very big international organisations. What we are missing is clarity on the expenditure rate across local government; in other words, those organisations know more about what is going on in local government than local government does and one of the advantages of this kind of framework is not only that we can sort out the up-front aspects of the contract and put in place much more robust terms but that an organisation such as Scotland Excel can gather this kind of management information and feed it back to councils.

We have come at the other areas that Mr Wilson mentioned from the same perspective. The huge amount of work that has gone into the residential schools framework, for example, was again driven by the fact that only a small number of providers were in receipt of what was multimillion-pound expenditure across local government. An Audit Scotland report on this very subject that was published a number of years ago found that, although the number of children who were receiving those services had remained pretty static, the costs had gone up significantly over a number of years. There has been a lot of tension with the suppliers in that market, because they are not used to the degree of scrutiny that we are putting them under in our efforts to understand cost drivers.

However, I hope that we have tried to consult providers. A providers group has supported the strategy's development to ensure that if whatever we develop is going to cause them or the children on the receiving end of that service problems, we can try to iron out those issues. We have had a 12-week consultation period and will have a round-table discussion on that towards the end of April before we launch the tender. It is quite unusual for procurement professionals to be involved but, with regard to secure care and foster care, we have built up relationships with colleagues in COSLA, the Scottish Government

and—most important—the Association of Directors of Social Work, who see the value of what we are delivering back to them. There might not be a reduction in the rate, but the contract will be of much higher quality.

Anne McTaggart: I have a small question about residential care, convener. I can say from my experience of social work in Glasgow that our greatest concern with regard to care provided outwith the Glasgow area was with the NHS. Did you say that, in procuring shared services, you collaborate with and speak to the NHS? Normally there would be a whole stramash with the NHS in cases where a Glasgow child was to be in care outwith Glasgow; the education services and the local authority were able to meet each other over that but, as far as the NHS was concerned, it was an absolute no-no.

Dorothy Cowie: We have probably not cracked that one entirely, but I think that, because 32 local authorities are no longer trying to connect with however many health boards there are, it is a bit easier to make connections than it used to be. We are working very closely with Ian Crichton's procurement team across the health and social care agenda. When, for example, we carried out a forensic analysis of what we were paying for in our secure care contract, which also involves children, we realised that we were paying for the kind of health provision that health boards were able to provide. Because no one had really been managing those secure care providers and analysing the costs, a lot was hidden. We are flushing out lots of things and now have a big pile of things that we need to find solutions to. The example that you have highlighted is one of them.

Anne McTaggart: The situation that I alluded to was, if nothing else, dangerous and very frustrating if you were trying to secure the best outcome for the child.

Dorothy Cowie: Indeed.

The Convener: My final question is again for Dorothy Cowie and relates to the procurements themselves. In how many of your contracts and how much of your day-to-day procurement do you deal with third sector organisations?

Dorothy Cowie: We have a couple of contracts with reserved businesses. Many third sector organisations are involved in the health and social care areas of our development plan, and we have a lot of engagement through the provider forums that we have set up with the sector.

We are also working with the Scottish Government's developing markets for third sector providers programme and the Ready for Business consortium, whose whole raison d'être is to work with us and councils to develop opportunities for third sector providers and to try to embed more

community benefits into the clauses of our contracts.

The Convener: So none of the new social care contracts that you have just signed up to involves the third sector at all.

Dorothy Cowie: Not to the best of my knowledge. The residential care and some of the further care packages that we are looking at will involve the third sector. Moreover, something that the Ready for Business consortium is keen to do and which we are keen to support is to find a couple of areas where we could use a PSP model in working with third sector providers.

The Convener: What is a PSP model?

Dorothy Cowie: I have forgotten. I think that it stands for public social—

Ian Crichton: Partnership.

Dorothy Cowie: Thank you very much. There are a couple of examples of that third sector model in local authorities, and we are keen to support them.

The Convener: It would be extremely useful to get some indication of the number of deals that you have with the third sector and how much that business is worth.

Dorothy Cowie: Okay.

The Convener: I thank all the witnesses for their time. We move into private session.

12:28

Meeting continued in private until 12:46.

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