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Pàrlamaid na h-Alba

Official Report

PUBLIC AUDIT COMMITTEE

Wednesday 4 September 2013

Session 4

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Wednesday 4 September 2013

CONTENTS

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PUBLIC AUDIT COMMITTEE
11th Meeting 2013, Session 4

DEPUTY CONVENER

*Mary Scanlon (Highlands and Islands) (Con)

COMMITTEE MEMBERS

*Colin Beattie (Midlothian North and Musselburgh) (SNP)
*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)
*Bob Doris (Glasgow) (SNP)
*James Dornan (Glasgow Cathcart) (SNP)
Hugh Henry (Renfrewshire South) (Lab)
*Colin Keir (Edinburgh Western) (SNP)
*Ken Macintosh (Eastwood) (Lab)
Tavish Scott (Shetland Islands) (LD)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Gemma Diamond (Audit Scotland)
Caroline Gardner (Auditor General for Scotland)
Sir Peter Housden (Scottish Government)
Liam McArthur (Orkney Islands) (LD) (Committee Substitute)
David Middleton (Transport Scotland)
John Pentland (Motherwell and Wishaw) (Lab) (Committee Substitute)
Alyson Stafford (Scottish Government)
Mark Taylor (Audit Scotland)

CLERK TO THE COMMITTEE

Jane Williams

LOCATION

Committee Room 5

Scottish Parliament

Public Audit Committee

Wednesday 4 September 2013

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

Interests

The Deputy Convener (Mary Scanlon): I welcome members of the committee, the press and the public to the meeting. I ask those at the table to ensure that mobile phones are switched off. People in the gallery may keep theirs on, but bleeping and ringing are not allowed, as they might disrupt proceedings.

Tavish Scott has given his apologies. In his place, we are delighted to welcome Liam McArthur.

Hugh Henry, who joins the committee following the agreement of motion S4M-07530, has also given his apologies. In his place, we are delighted to welcome John Pentland.

We have lost Iain Gray as convener, and we will be delighted to welcome Hugh Henry to that post. As deputy convener, I will chair the committee today. I will depend to a great extent on the clerk, Jane Williams, and I ask for members' forbearance because, although I have been in the Parliament since 1999, this is the first parliamentary committee that I have convened. Please forgive any wee fudges.

I am delighted to welcome Kenneth Macintosh to the committee. He replaces Mark Griffin. In accordance with section 3 of the code of conduct, all MSPs must declare any registrable interest that is relevant to the committee's remit. I invite Ken Macintosh to do so.

Ken Macintosh (Eastwood) (Lab): I have nothing to declare.

The Deputy Convener: That was easy. I invite John Pentland to declare any interest that is relevant to the committee's remit.

John Pentland (Motherwell and Wishaw) (Lab): I have no relevant interests to declare.

The Deputy Convener: I have worked with Iain Gray as his deputy convener for almost two years, and I take this opportunity to put on record our appreciation of his excellent and diligent work for the committee. I have always found him to be even-handed and fair-minded. He has taken the auditing of the spending of the Parliament and the Government seriously, and I thank him for the excellent work that he has done on behalf of the committee and the Parliament.

I also thank Mark Griffin for his work on the committee. With his background in local government, Mark made some excellent contributions.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I join in paying tribute to Iain Gray for his convenership of the committee. It does not seem that long since Hugh Henry left that post, but Iain Gray has been the convener for about two years, which is quite a long time. I pay tribute to him for his convenership and his patience with us all.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): I am probably the longest-serving member of the Public Audit Committee, so I take this opportunity to thank Iain Gray for his work. He brought a balance to the committee that was really appreciated and, in doing so, helped to take forward many of the issues that we have discussed over the years.

I also thank Mr Gray's colleague, Mark Griffin. Mark often carefully chose his time to make a contribution, and when he did so it was usually very thoughtful and purposeful. I certainly appreciated his contributions to the work of the committee.

I wish both men well in their new roles.

The Deputy Convener: Thank you both for those comments, which I appreciate.

Decision on Taking Business in Private

10:05

The Deputy Convener: Under agenda item 2, I seek members' agreement to take agenda items 6 and 7 in private. Do we agree to do so?

Members *indicated agreement.*

Section 23 Reports

"Developing financial reporting in Scotland"

10:05

The Deputy Convener: I welcome Caroline Gardner, the Auditor General for Scotland. Accompanying her from Audit Scotland are Mark Taylor, the assistant director of the audit services group, and Gemma Diamond, the project manager of the performance audit group.

We begin by considering the section 23 report, "Developing financial reporting in Scotland", which deals with an issue that has been a hot topic—indeed, quite a critical topic—in the short length of time for which I have been a member of the committee.

I invite Caroline Gardner to speak to the report.

Caroline Gardner (Auditor General for Scotland): The devolved Scottish public sector manages and delivers public services that are crucial for almost every aspect of the lives of Scotland's people. The Scottish Government spends more than £45 billion a year from a variety of sources, including the Westminster block grant, council tax and charges for services.

Comprehensive, reliable and transparent financial information is necessary to help politicians and other decision makers to make good decisions, to help to hold public bodies to account for their spending and to ensure that there is public confidence in the management and sustainability of public finances.

As the committee is aware, the Scotland Act 2012 will shortly give ministers new taxation and borrowing powers that are aimed at increasing autonomy and strengthening accountability. Those powers also raise the prospect of more variable revenues. That will increase the importance of managing and accounting for the public finances in a way that demonstrates financial stability and potentially builds investor confidence on the bond markets.

It is important for me to stress that there is a lot that is good about financial reporting in Scotland, but the changing environment will bring new demands.

Currently, much of the Government's financial reporting and the Parliament's own consideration focuses on spending against the annual resource and capital budgets. That is undoubtedly a critical area and will remain so. However, the implementation of the 2012 act will bring a new focus on revenue, and my report also highlights the importance of comprehensive, transparent and reliable information on the assets and liabilities of the Scottish public sector as a whole. Understanding the risks and opportunities that are associated with those assets and liabilities is essential to the management of sustainable public finances.

In the report, we have pulled together information from around 100 sets of accounts from Scottish public bodies for 2011-12 to illustrate the assets and liabilities that are held and the opportunities and risks that they present.

We found that the devolved Scottish public sector had assets of about £86 billion, including hospitals, schools and investments in loans and shares. We also identified liabilities of approximately £94 billion, including pensions and borrowings.

It is important to be clear that the valuation of assets and liabilities represents a snapshot at a single moment in time, and often requires significant judgments to be made, together with the use of best estimates. It is not an exact science. Effective financial reporting enables such issues to be understood, so that the financial risks can be well managed.

There is currently no published picture of the assets and liabilities of the Scottish public sector as a whole, although ministers have powers under the Public Finance and Accountability (Scotland) Act 2000 to prepare consolidated accounts that would provide that. We think that Scotland's increasing financial autonomy, with the implementation of the 2012 act, offers a good opportunity for the Parliament and the Government to consider whether such accounts should be introduced.

In the report, we suggest four specific areas in which we think financial reporting could be developed in that context. The first is how best to report the long-term consequences of investment decisions, including the use of borrowing and public-private partnerships to fund investment in assets. The second is for the Scottish Government to consider how best to report on its forecasts and other estimates, and how they are made, as its new tax-raising powers are used. It is important that it is able to show that the forecasts are soundly based and that it can explain the reason for any variances between actual and estimated tax receipts and the impact that such variances will have on the public finances. The third is for audited accounts of public bodies to include the identification of potential future liabilities, which need to be monitored and understood in order to manage the associated risks. Finally, we think that the Scottish Government could provide more transparent information on some complex accounting areas, such as adjustments to the block grant, which can be difficult for the Scottish Parliament and, indeed, the public to understand.

In summary, the report highlights that transparent, comprehensive and reliable financial reporting is important to help build public trust and investor confidence. It supports accountability, and it is critical in providing the information that is needed to make good financial decisions for the future. The changing environment in Scotland means that now is a good time for the Scottish Government and the Parliament together to consider how financial reporting could be further developed, and the report is intended to be a constructive contribution to that debate.

My colleagues and I will be happy to answer any questions that the committee may have.

The Deputy Convener: Thank you very much for that. I invite questions from the committee. One of our most vocal members on this issue is Colin Beattie, and I am delighted that he is first in the queue.

Colin Beattie: Thank you.

The report is quite a meander through the public finances—it covers a great deal of ground. Would it be fair to sum it up by saying, "So far, so good, but there is still work to be done"?

Caroline Gardner: Very much so, yes. As I said in my opening remarks, all the evidence is that financial reporting for Scotland's public bodies is currently good. Reports are prepared in line with the international financial reporting standards and are audited by me or by auditors whom I appoint. It is very rare for us to have to qualify an opinion or bring a matter to the attention of the Public Audit Committee. Equally, however, the context is changing. With the implementation of the Scotland Act 2012 over the next few years, Scotland will have increased revenue-raising powers, and that will bring a need for more transparency and more focus in those areas.

Stepping back a bit, with the events that we have seen over the past few years as the global financial crisis has affected Governments' finances, there is a greater understanding among all of us of the need to understand the risks that are associated with the assets and liabilities that the public sector holds and the potential future liabilities that may come up. We are not alone in talking about the issue—it has been the subject of recent reporting by the International Monetary Fund, the International Federation of Accountants and others—and now seems a good time for the Parliament to be talking to the Government about how things might develop in the future.

Colin Beattie: You touched on the Scotland Act 2012, which has implications that the committee has discussed previously. Can you confirm that

Audit Scotland is fully engaged in discussions with the Government and so forth on how to develop reporting on the public finances?

Caroline Gardner: Absolutely. We are involved at two levels. First, we are very much plugged into the discussions that the committee has had with the Government, Her Majesty's Revenue and Customs and the National Audit Office about how the arrangements might work in future. Secondly, through the annual audit of the Scottish Government's finances, my colleague Mark Taylor, who is on my right, is in close dialogue with the Scottish Government about preparedness for the new demands that will be made on the Government and the new reporting requirements. I think that we are pretty well plugged into that, although it is early days for some of the larger aspects of the act, such as the Scottish rate of income tax.

Colin Beattie: Looking at the report overall, there seems to be less comment on a lack of availability of information than there has been in previous Audit Scotland reports. It has been a consistent theme that, for legacy reasons, the Government has had a lack of information on which to base decisions. Would you say that that is not as much of an issue when we are discussing the public finances as it is when we are talking about areas such as the national health service?

Caroline Gardner: Yes, you are right—that is not the focus of the report. What we are saying is that most of the information that would be required to provide a comprehensive picture of Scotland's public finances is available and is included in the accounts of the 200 or so individual bodies that I and the Accounts Commission audit each year. What we do not have is a way to pull that together to ensure that those accounts are prepared on a consistent basis, such that that information can be presented to the Parliament in a way that lets it get the overall picture. The implementation of the Scotland Act 2012 seems a good opportunity to consider whether that gap should be filled.

Colin Beattie: You have taken a very broad approach by including not just the actual assets and the liabilities that derive from those assets directly but all liabilities in the whole public sector, from pension liabilities to anything that can be pushed in there. You have come up with quite a comprehensive figure, and yet there seem to be gaps. For example, paragraph 19 on page 13 states:

> "Scotland had total assets valued at approximately £86 billion at March 2012, with total liabilities of £94 billion".

However, the reality is that there are a lot of question marks over such figures, given that the first paragraph in page 15 states:

> "If councils were to value local roads using the same methodology as Transport Scotland, they estimate that the value of these assets could increase from £5 billion to £55 billion."

Could similar variation exist in other areas of the public sector that perhaps needs to be addressed more closely in order to get uniformity of approach? Otherwise, the figures really do not make much sense.

10:15

Caroline Gardner: I will ask my colleague Mark Taylor to provide further specific examples in a moment, but I think that you are absolutely right: the point is that any valuation of assets and liabilities is a snapshot at one point in time that involves judgment and estimates. At the moment, we are not in a position to be able to do that for the Scottish public sector as a whole, and we think that being able to do so is increasingly important. Mark, would you like to add to that?

Mark Taylor (Audit Scotland): Thank you, Auditor General. On the broader question, the gap between the assets and the liabilities is important as a piece of information largely because it establishes a baseline against which future direction can be established. It is also important to understand—this is at the root of Mr Beattie's question—what lies behind the figure.

Regarding the differences in accounting standards, one benefit of moving towards consolidated accounts for the public sector more widely would be greater harmonisation. Under the whole of government accounts approach, that is already under way, and much of the information that is available under whole of government accounts could be used. Efforts are under way to try to provide that harmonised approach. Roads is the largest area of difference, as we have brought out in our report. Comprehensive and transparent financial reporting provides an opportunity to explain such issues and to provide information on them for discussion and public consideration.

Colin Beattie: Thank you. One point that alarmed me is the statement, in the top paragraph on page 18, which says:

> "Councils may also take advantage of beneficial interest rates and borrow in advance of immediate need ... Councils often put these cash reserves on deposit or invest in shares and equity".

I am not sure what the difference is between shares and equity, but are you saying that councils are borrowing money from the public purse to have a punt on the stock market?

Caroline Gardner: We are saying that councils have borrowing powers, which currently do not exist for most of the rest of the public sector in Scotland and across the United Kingdom.

Obviously, those powers need to be used prudently and responsibly to ensure that the best use is being made of public money and that it is not being put at undue risk.

It is worth saying that all 32 local authorities produce annual accounts, which are audited under the auspices of the Accounts Commission. Those reports are publicly available and the Accounts Commission produces an overview across Scotland on which it briefs the Public Audit Committee and other committees of the Parliament. That issue has not emerged as a significant concern in recent years, but we should be aware of those powers in thinking about the wider picture of Scotland's public finances.

One reason why the issue is particularly live at the moment relates to what has happened elsewhere over the past few years of global financial crisis. In Spain, for example, the problems that arose for the Spanish Government were as a result of borrowing by regional governments that either was not transparent or was not thought about in the context of overall affordability. When tax revenues fell, the local governments were unable to service their liabilities, which then fell to the Spanish national Government. There is no suggestion that we are in anything like that position here in Scotland, but that highlights the importance of having transparent and comprehensive financial information to understand what risks may exist.

Colin Beattie: To come back to my question, do we know of any council that has invested the money that it borrowed from the public purse in the stock exchange?

Caroline Gardner: Councils have treasury management functions, which are there to take any money that is surplus to immediate requirements and invest it to ensure that the proper return is made on behalf of council tax payers and taxpayers in general. There is no implication that that is being done as an investment for the purposes of generating money, but councils should properly invest their money in line with treasury management. That is one of the things that auditors look out for as part of their audit work. We are saying not that there is an immediate concern about the use of those powers but that those powers exist and need to be understood in the context of Scotland's public finances.

Colin Beattie: I accept that money is often borrowed a few weeks in advance of when it needs to be paid out and therefore, from a prudential point of view and for reasons of plain sense, councils should invest that money in the short term in order to keep some revenue coming in. However, I would be concerned if councils were investing that money in stocks and shares, because they might not get their money back.

Caroline Gardner: Quite so. The point of the paragraph to which you referred is not to say that that is happening. As far as I am aware, the Accounts Commission's audit work has only identified cases where the money is being properly invested in the way that you have described. Nonetheless, councils have that power.

Colin Beattie: As far as you are concerned, councils are not investing money in that way and it is just a potential issue.

Caroline Gardner: As far as I am aware, that is not happening and the Accounts Commission has not identified that happening anywhere. However, those powers exist for local government in Scotland.

The Deputy Convener: As I see no other members wanting to ask a question, I will ask a question of my own. However, let me first just remind the committee that we will also take oral evidence from the permanent secretary, who will be asked to respond to the report, under agenda item 5.

Turning to part 3 of the report—I am referring to pages 24 and 25—I found the wording quite difficult. To say that the Scotland Act 2012 powers provide us with a "useful opportunity" does not tell us whether action is necessary. Is the report just good advice, or is it essential that something be done, or can we ignore the report? There are a lot of useful opportunities out there, so I did not find part 3 helpful. We need to know: should this be done? Does it not need to be done? Should we ignore it? I felt that we needed a better steer. I apologise if I have put that a bit robustly, but in my view that is a difficulty.

For example, paragraph 48 includes the wording

"The following features of investment plans likely to become increasingly important".

Paragraph 51 refers to

"significant new powers and it will be important that the Scottish Government can demonstrate that investment plans are affordable".

What is that saying? The report states that

"Risks affecting the valuation of forecasts and other estimates require ongoing monitoring".

Is that happening just now? Is it not happening? Should it be happening? I really do not know.

Colin Beattie made a good point in summarising the report as saying, "So far, so good." Is it so far, so good? Is the report card 10 out of 10? Does the report describe a "useful opportunity" that the Government can ignore? I would find it better if we could get a grasp on precisely what could be done better—or what is wrong, as I was going to say—

and what absolutely requires to be done to deal with the new demands of the taxation and borrowing powers under the Scotland Act 2012. I found the report's references to a little "useful opportunity" here and there to be unhelpful. Can you tell us what needs to be done?

Every report that comes to our committee says that the data is insufficient, there is not enough evidence and information gathering is poor. I have sat and listened to that for nearly two years. In a previous letter to the committee, you wrote:

> "many of my and my predecessor's reports to the Public Audit Committee have highlighted gaps in the availability and quality of data."

We have been at this for 14 years and we are still getting rubbish data. Can you just be clear about what needs to be done? In one sentence, what is your report saying?

Caroline Gardner: This report is slightly different from the usual reports that come to the committee, because it is distinctly about looking ahead as the new powers under the Scotland Act 2012 are introduced. The report is my professional advice as the Parliament's Auditor General on the way that I think that the financial reporting by the Scottish Government should develop in that context. To be clear, the report does not focus on the issues of data quality, which I know are of real concern to the committee and come up through a number of reports on which the committee will take evidence later. This report looks at the Scottish Government's financial reporting and the way in which the demands on it will change with the Scotland Act 2012.

On what specifically should be done, there are two groupings. First, in my view, it would be very helpful for the Government, and particularly for the Parliament, to start to draw together a comprehensive picture of Scotland's public finances as the Scotland Act 2012 powers come in. That is a summary of what Scotland owns and what it owes, what it spends and what it receives—

The Deputy Convener: You think that that is essential.

Caroline Gardner: I think that that is important in the context of the Scotland Act 2012.

The Deputy Convener: So it is important but not essential.

Caroline Gardner: There is growing international consensus that financial transparency, with comprehensive and reliable information, is important for economic growth and for the financial sustainability of any Government. The IMF has reported on that very recently.

Mr Beattie's summary of the report as "So far, so good" is absolutely right. In the context of the first 13 years of devolution, financial reporting has been sound and provides a very good basis going forward. However, the context is now changing with the Scotland Act 2012 and the possibility of further financial autonomy.

The report is my professional advice about the way in which financial reporting to the Parliament and more widely could be developed in that context to address the comprehensive picture of what is owned and owed, what is spent and received, and the four specific issues that I highlighted in my opening comments. Those issues are the need for a better understanding of the assets and liabilities across the public sector and the risks associated with them; the reporting of forecasts of revenue and the way in which actual revenues compare against them; the long-term consequences of investment decisions, whether conducted through borrowing or through public-private partnerships of various sorts; and some of the complex accounting areas that can be very hard for all of us to understand. Addressing those four specific areas would also help to ensure that financial reporting keeps pace with the financial autonomy that the Scottish Government and the Scottish Parliament have.

The Deputy Convener: There are certain things that it would be impossible to look at just now, such as the share of the UK debt. Are you saying that we should be more transparent about the backlog maintenance in the NHS, for example, which you set at £773 million, and the civil service pension scheme, and so on? Are you saying that much more information should come out in the budget from the finance secretary so that the Parliament is clearer about assets and liabilities, and that the reporting should be consistent given the point that Colin Beattie made?

Caroline Gardner: Those are both really good examples. In the report, we say that assets are critical to the delivery of public services but they also bring with them both risks and consequences for revenue budgets over time. Clarity about the make-up of the assets and things such as maintenance backlogs would really help.

Pension liabilities look like very large, scary numbers on paper. The pension schemes are funded and managed in different ways and the liabilities are changing over time. With the implementation of the Scotland Act 2012, we think that it is becoming increasingly important to pull together that information for Scotland as a whole and to provide a basis for the Parliament to understand it during its budget deliberations.

The Deputy Convener: Thank you, Auditor General. I was just being advised by the clerk, as I warned you at the beginning of the meeting that I might be.

Ken Macintosh: I have a range of brief questions—I will press ahead, convener.

I thank the Auditor General for her opening remarks about the report, which reflects a new set of circumstances both in Scotland and in the global situation. Before we move on to the transparency issues, let us talk about accuracy. This will perhaps have relevance to subsequent discussions this morning. Are you confident about the current way of reporting public accounts? In the previous session, an underreporting of the costs associated with major capital projects was revealed along with a slippage of dates. You discovered that by looking at the major capital transport projects. Are you confident that the accounts allow parliamentarians and others to see the full picture of the accounts, as it were?

Caroline Gardner: Yes. Each of the 200 or so public bodies in Scotland produces accounts that are in line with international financial reporting standards and are audited either by me or by the Accounts Commission in line with the global auditing standards. That reliability is there. What we do not have is a place where that information is pulled together for the Scottish devolved public sector as a whole in a way that would let you, as decision makers, make good decisions for the long term about investment, for example; that would help to hold people who are spending public money to account for it; and that would help to build public confidence and, in the future, investor confidence in the sustainability of the public finances. That has been much less important up to now but, as we move into the territory of the Scotland Act 2012 and new tax and borrowing powers, that comprehensiveness and transparency will become more important.

I should clarify that, in the report that we produced on the transport projects, we focused not on the costs as captured in the accounts, but on some inconsistencies in the way in which progress on major projects is reported to the committee. You will have the opportunity to explore that a bit further with the accountable officer later.

10:30

Ken Macintosh: Exhibit 10 on page 20 of your report shows the estimated annual PPP charges. It is an interesting and revealing graph that shows the rise in the use of private borrowing. How big a portion of that graph represents the major capital projects as opposed to the cumulative total of all the minor or non-major capital projects? How significant would those major capital projects be?

Caroline Gardner: I do not have those figures readily to hand and I do not want to risk misleading the committee. We could provide you with that analysis separately, if that would be helpful.

Ken Macintosh: If £0.5 billion of slippage, as it were, has been revealed in the major capital projects, which receive a certain level of scrutiny, I am slightly worried that less major projects—minor projects if I may call them that, although I am not sure that £20 million projects are minor—or less high-profile capital projects may be underreported or be reported in different terms in the sense that your analysis of them would be different from the way in which the Government would report on them. Do you believe that to be the case? Is that a potential worry?

Caroline Gardner: I simply do not know at this stage. We reported on the five major transport projects because they account for a large part of the infrastructure investment programme and are critical for the development of Scotland’s transport infrastructure. What I said in introducing that report to the committee still stands. The Government’s action in setting a cap for the amount of future revenue funding that it wants to commit to the revenue consequences of capital projects is a very good move. It helps transparency and it helps to ensure that decision making is sustainable.

There is nothing wrong, in principle, with funding capital through revenue. We all do that when we buy a house on a mortgage. The next step, though, is that the Government should consider how it reports commitments against that cap to the Parliament to ensure that that is transparent. There are some definitions to be clarified regarding what is included in the cap and the way in which reporting will happen. That is very much the next step in what is already a positive direction of travel by the Government in this area.

The Deputy Convener: James Dornan has a supplementary question.

James Dornan (Glasgow Cathcart) (SNP): You touched on the fact that the Scottish Government has already recognised some of the problems that Ken Macintosh is talking about. I believe that its intention is to lower the bar from £50 million to £20 million to ensure that there is more transparency than there is at present regarding projects that, although by no means minor, fall between those two figures. Is that true?

Caroline Gardner: You will have the opportunity to explore that further with the permanent secretary later this morning. The broad point that we are making is that setting the cap is a good move and the next step is to be clear about how commitments against the cap will be reported in the future. There are a number of options for how that might be done, and it seems to us that that is the next step to be taken.

The Deputy Convener: Three other members are waiting to ask questions. I ask you to wind up your questioning, Mr Macintosh.

Ken Macintosh: I have a number of issues, but before we move off the subject let us return to the graph that is exhibit 10. It is divided into PPP charges for local government, the NHS, public corporations and central Government. Would the local government charges be reported only through the Accounts Commission? Are we talking about local government projects that are financed by central Government? I am thinking of schools, for example, which are central Government PPP projects. In other words, is that central Government PPP projects?

Caroline Gardner: No, it is all PPP projects. The local government ones will be reported through the 32 sets of individual accounts for the 32 local authorities and will then be pulled together by the Accounts Commission in its overview report. There will be some consequences for the Scottish Government from local government PPPs, both through direct funding and because around 80 per cent of local government funding comes from the central Government pot. That is why I propose that the discussion about how the overall picture for Scotland's public finance is presented should take place now between the Parliament and the Government.

Ken Macintosh: Does the 5 per cent rule apply to the total figure or just to the blue part at the bottom of the chart in exhibit 10, which shows the charges paid by central Government?

Caroline Gardner: The 5 per cent cap relates to the Government's own investment in PPP projects, whether they be private finance initiative or non-profit-distributing. A number of definitional issues can be clarified in taking that forward, and there is a need to report commitments against that in future.

I ask Gemma Diamond to clarify the position.

Gemma Diamond (Audit Scotland): The cap covers the commitments that the Scottish Government is financing and will therefore include a portion of the local government commitments that the Scottish Government has agreed to finance. That is why we have suggested that there be very clear reporting about exactly what the cap covers and how it is being measured to ensure that, particularly in relation to local government projects, we are clear about what is being financed by local government, what is being financed by the Scottish Government and therefore what the cap relates to.

Ken Macintosh: Does that also apply to NHS projects?

Caroline Gardner: The situation with NHS projects is more clear cut because all NHS financing comes from the Scottish Government. The report covers commitments by NHS boards, but they are funded through funding from the Scottish Government to the 14 territorial health boards and, where appropriate, the special health boards.

Ken Macintosh: I want to be clear about this. Because it comes directly from the Government, NHS spending is covered by the 5 per cent cap. Local councils are additional to that. Are projects involving Scottish Water or, say, rail-asset-based borrowing also additional?

Caroline Gardner: Those are all very good examples of why we have recommended that the Scottish Government develop further its reporting about the cap and the commitments about it. Obviously, for the cap itself to be useful it is important to be clear what is and is not included; it is also important that there is reporting against that about the commitments that have been made and the timescale on which they have been made. However, the Scottish Government will wish to answer those questions for the committee as it takes forward its own thinking about the operation of the cap in practice.

The Deputy Convener: The member makes a very good point, but I point out that it is covered in Peter Housden's response to the committee and I am sure that you will get the opportunity to pursue that line of questioning when Sir Peter comes before the committee.

Before I call Liam McArthur, I should put on record that he has already given his apologies for having to leave this meeting early.

Liam McArthur (Orkney Islands) (LD): Thank you very much, convener.

Auditor General, you referred in your opening remarks to the renewed importance of forecasting as a result of the new tax-raising powers under the Scotland Act 2012. Indeed, you also acknowledged its importance in commanding confidence and suggested that it be seen as independent, and I believe that in May the cabinet secretary undertook to establish an independent forecasting unit. I do not want to draw you on the question whether such work should necessarily be done separately or whether it could be done through the Office for Budget Responsibility, but working back from the point at which such a unit is likely to be called on to provide forecasting do you have a view on the timeframe for its establishment?

Caroline Gardner: The question of the vehicle through which forecasts are made is obviously a policy matter that falls outside my remit and which I would therefore not comment on.

As far as timescales are concerned, we know the timescale for the implementation of the Scottish rate of income tax, which is by far the most significant of the new tax powers, and it will be important for the new forecasting regime to be in place in good time to inform that. As you have said, the Cabinet Secretary for Finance, Employment and Sustainable Growth has announced his intention to set up a Scottish fiscal forecasting body, and we recently responded to the Finance Committee's consultation about how that might be done. I am not sure that we can say very much more on that issue at the moment.

Liam McArthur: But you think that it would need a period of time to bed in ahead of the new income tax rate being set and implemented.

Caroline Gardner: As would be needed for all the new tax and borrowing powers under the Scotland Act 2012. The person who leads day-to-day Scottish Government audit, Mark Taylor, is keeping a close eye on the matter as part of the audit work and at the moment we have no concerns about the progress that is being made. However, there is clearly a lot to be done before the new powers come fully into effect.

The Deputy Convener: Thank you, Mr McArthur. I call Bob Doris, to be followed by Willie Coffey.

Bob Doris (Glasgow) (SNP): I know that it is your first time in the chair, convener, but you made me smile when you asked Ms Gardner for her thoughts about Scotland taking on its share of the UK national debt. I assume that Ms Gardner would look at that only if she were auditing Scotland's share of the UK's assets, which seems to be forgotten about whenever the debt is mentioned. I simply wanted to put that aside on the record.

The Deputy Convener: I was quoting from the report, Mr Doris. I do appreciate that that cannot be done.

Bob Doris: I am delighted that you have clarified the matter, convener, but I thought it important to put the comment on the record.

I must compliment and congratulate the Auditor General on this report, because it shows that her office is geared up to analysing and scrutinising any more powers that Scotland might get, irrespective of what the end point might be—of course, we are not here to discuss the politics of that but in my view the end point would be independence—and is capable of holding the Government to account independently. The report also highlights some challenges for the Scottish Government and the committee should scrutinise the Government's response to those challenges. What would be a reasonable timescale for this committee in its scrutiny role to ensure that the Scottish Government has made suitable progress? I believe that your conclusion was that we are doing okay, but we can do better and with more powers we have to progress further. What is the timescale for ensuring that the Scottish Government continues to develop its sophistication in dealing with this matter?

Caroline Gardner: In my view, this is a very timely moment for the conversation to start. I recognise the deputy convener's frustration with that phrase, but I think that in order to make the best progress it is important that there is a conversation between the Parliament and the Government.

As we know, the 2012 act is being implemented with the establishment of revenue Scotland in the new legislative programme, the introduction of the landfill tax and the new land and buildings transaction tax and the setting of the Scottish rate of income tax in 2015-16. This conversation is starting now and developments in financial reporting over the next couple of years would be a good accompaniment to the changes in the financial environment that come from the existing constitutional position.

As you have said, I am in no position to comment on where fiscal autonomy might go after that, but given the legislation on the statute book that is being introduced over the next couple of years I think that this conversation should happen in parallel.

Bob Doris: That was helpful.

You might get the chance to discuss this issue later in private session—if you think that that would be a more appropriate setting, please say so—but how much progress should this committee have made by this time next year in its conversation with the Scottish Government about financial reporting? Is one year a reasonable time? Will your office be reporting on how the Scottish Government has improved in this area in the next year?

Caroline Gardner: We will be keeping a close eye on the Government's preparations for the implementation of the Scotland Act 2012 through the annual audit process, and there will be an opportunity to draw the issue to the committee's attention if necessary. That said, it might be helpful to distinguish between agreeing the principles for the development of financial reporting and putting them into practice. It takes time to change the format of annual accounts, particularly if their scope is increasing, and that will have an impact on the Scottish Government finance team and potentially on public bodies across Scotland as well as on my audit teams. There is certainly scope to make progress on agreeing principles, but a bit more time should be allowed for implementation to take account of the realities of doing that well and in ways that support the Parliament as well as they can.

Bob Doris: That, too, was helpful.

I will not ask any more questions, convener. I am sure that we will discuss in a bit more detail how the committee can best do that when we have that conversation later in the agenda.

Willie Coffey: First, I want to offer a couple of comments. For a start, I think that we can see the difficulty of establishing a baseline. Members have already mentioned a number of items that might not be covered in the asset base or indeed on the liability side and I look forward to seeing whoever it might be attempting to reach an agreement on what that baseline should be.

Secondly, I like to think that our role as the Public Audit Committee has played quite a part in this report's development. I know that it has principally been born out of the changes as a result of the Scotland Act 2012 and that that has probably been imperative; however, I am absolutely delighted to see throughout the report reflections of many discussions that have taken place in the committee over a number of years. Indeed, that is why I like this report—it is a staging post on the way to where we want to be.

10:45

With regard to your comment that consolidated accounts do not give the bigger or broader picture, we know that all the public sector bodies report and provide accounts but the fact is that they all tend to do so in different ways. Would you encourage in future a progression towards a kind of common data gathering and data reporting standard in the public sector to ensure that such data can be easily consolidated and understood by the likes of us? What role would, say, ISD play in assisting us in achieving that aim?

Caroline Gardner: The framework is already in place; after all, all public bodies in Scotland already prepare their accounts to a common accounting framework. There are, as Mark Taylor outlined, some differences around the accounting policies for valuing certain assets and liabilities, but that can be ironed out in the process. Interestingly, at a UK level, there are whole-of-Government accounts that provide that kind of comprehensive picture but we do not have the subset that relates to Scotland as a whole. Although there are consolidated accounts, they exclude not only local government but some other parts of the public sector.

Really good groundwork has been carried out, but this is all about taking the next step. As the Scotland Act 2012 comes into play and as we think about the new risks that come with those revenue-raising and borrowing powers, we need to consider the financial reporting that the Parliament and other stakeholders in Scotland's public finances will need to make the system work as well as it can.

Willie Coffey: You mentioned outcomes, performance and so on. How might we take things further with regard to reporting on such matters? That has been the subject of discussion not just by this committee but elsewhere for a number of years now.

Caroline Gardner: It is a great question, but it was not the subject of this report. At the moment, we are engaging with the Scottish Government in the development of the outcomes approach and what that will mean for the way in which we audit Scotland's public services. I hope that we can show more of that in future but this report is more about reporting the finances side of the equation rather than the outcomes and performance side.

Willie Coffey: I appreciate that response.

The Deputy Convener: I thank the Auditor General and her staff for their evidence. We will now change panels.

10:47

Meeting suspended.

10:49

On resuming—

"Scotland's key transport infrastructure projects" and Major Capital Projects (Update)

The Deputy Convener: The next item is oral evidence on the Auditor General's report "Scotland's key transport infrastructure projects", and on the Scottish Government's major capital projects update. I remind members that, following our evidence from the witnesses under this item, Sir Peter Housden will go on to give evidence on developing financial reporting in Scotland. I know that we are likely to stray into that, but I ask members to keep their questions on financial reporting until the next agenda item.

I welcome our witnesses from the Scottish Government, who are Sir Peter Housden, the permanent secretary, and Alyson Stafford, who is director general for finance. From Transport Scotland we have David Middleton, the chief executive, and Ainslie McLaughlin, the director of major transport infrastructure projects. I invite Sir

Peter Housden to make a brief opening statement. We will then invite questions from members.

Sir Peter Housden (Scottish Government): Thank you, deputy convener. As you said, I am accompanied by my colleagues. Ainslie McLaughlin and David Middleton are particularly able to help the committee with questions on the portfolio of transport projects that is under discussion. Alyson Stafford will be able to assist particularly with matters concerning the infrastructure investment board, which she chairs, and the cross-Government accounting work and reporting. We will of course be happy to provide any further information that the committee may require subsequently to the meeting.

I thought that it would be helpful if I, as principal accounting officer, set out the things on which I seek assurance in relation to the matters that we are discussing today. There are four. The first is about the quality of our technical and professional work, which underpins decision making by ministers, and the important role that we attach to external assurance. At key moments in the process, we seek external and independent advice to verify important decision-making stages. Secondly, there is the quality of business cases, on-going contract management and monitoring of finance and delivery, which are crucial to securing value for money. Thirdly, there is the timeliness and quality of the advice that we give to ministers for key decision-making processes. Finally, and by no means least, there is the matter of ensuring that our reporting to Parliament is helpful and appropriate.

I am confident that we have a sound basis and strong arrangements for each of those four elements, both in general and in relation to the projects that are under discussion today. In that judgment, I draw confidence from the Audit Scotland report on our major transport infrastructure projects, particularly the Auditor General's assessment that all five projects are well managed and have sound governance structures. Audit Scotland confirms that four of the five projects are on track to be delivered within the latest approved timescales, with the Edinburgh to Glasgow improvement programme now on a rephased basis. All five are within the latest approved financial envelopes.

We did not recognise the reference in the press yesterday to a "£500m shortfall". That appeared to refer to the difference between what were in essence the contract construction costs of the five projects that have been reported on to the Public Audit Committee and the figures that were used in the Audit Scotland report, which include a variety of other costs. I am happy to take the committee through the detail of that. It is not a shortfall or a mistake. Both sets of numbers are accurate and valid, but they are made up of different elements, and one cannot simply be subtracted from the other, with the suggestion that the difference represents a shortfall.

More broadly, in considering questions about the reporting of the projects, the committee will recognise the significant broadening of financing sources and contractual arrangements in recent years. That arises from the wish of the present Government and its predecessors to make public money work harder and to use the terms of devolved funding arrangements within prudent limits to maximise investment in infrastructure. There have been an increasing range of schemes. Here, we are dealing with transport projects that are funded through orthodox capital, through the non-profit-distributing model and through Network Rail's regulated asset base.

Our reporting to Parliament has evolved, together with this landscape, as it has matured. We value this dialogue and the Auditor General's report as an important staging post in the next phase of that evolution. We are keen to understand from the committee what format and criteria you would find helpful in exercising your task over what is, by any standards, a complex and varied set of arrangements.

In our letter to the committee, we have undertaken to develop that standardised approach with you—working to the timescale that is suggested by Audit Scotland—to review the format and threshold for the public reporting of major projects and to codify our approach to the scrutiny of major investment projects through our infrastructure investment board.

Finally, the Government has this week published an updated infrastructure investment pipeline on all projects that are valued at £20 million and above, and on the unitary charge payments that are associated with revenue finance projects that are in the £2.5 billion pipeline and which have reached financial close. The committee also sought assurance on matters concerning the 5 per cent cap on revenue finance capital expenditure. We expect the cabinet secretary to address that further when he sets out his spending plans to Parliament later this month.

The Deputy Convener: Thank you, Sir Peter. I think that this is the first time that you have been before the committee, and I trust that there will be many more opportunities for us to hear from you in the coming months. Our first question is from Colin Keir.

Colin Keir (Edinburgh Western) (SNP): With reference to the £500 million shortfall that was mentioned, I want to ask about the procedures and reporting practices that various Governments have used over the years. Has there been a misunderstanding of past and current practice, or has there been a change in procedures that has made people think that there is a difference and that there is a £500 million shortfall?

Sir Peter Housden: I am not sure that I have the answer to that question. We did not recognise the use of the word “shortfall”. My point to the committee is that both sets of numbers are in essence valid and accurate, but they refer to different things. It is not a shortfall.

Colin Keir: I just want to find out whether there has been any change that might have confused those who made the claims.

I turn to my next question. Are you absolutely sure that your procedures will keep expenditure below the ceiling of 5 per cent of the departmental expenditure limit?

Sir Peter Housden: Yes. The cabinet secretary introduced the cap in 2011 and, as the Auditor General points out, everyone agrees that it is a sensible thing to do, to help track spending within prudential limits and to provide a guidepost for forward planning. In answers to parliamentary questions, we have provided information on spending against that cap. As I said, I expect the cabinet secretary to return to that when he sets out his proposals later in the month.

The Deputy Convener: Before we move on to James Dornan, I would like to talk about the 5 per cent cap. I note in your written evidence your response to a line of questioning that was pursued by Tavish Scott on how the north hub’s £700 million spend relates to the 5 per cent limit on the proportion of DEL. You say that it can be used for repayments that are associated with infrastructure investment but, in contrast, you go on to say that the 5 per cent limit relates only to revenue commitments that are associated with the Scottish Government. I find it confusing that the 5 per cent in the north of Scotland appears to be different from the 5 per cent elsewhere.

Sir Peter Housden: As I understood the *Official Report* of your previous discussions on the matter, the point that Tavish Scott was addressing was whether hub projects are wholly included in the 5 per cent cap. The answer, as we heard from the Auditor General this morning, is that the central Government element of the contribution to hub projects is included in the 5 per cent, but hub projects typically include significant contributions—in the case of schools, for example—from local authorities. Interestingly, to go back to your point, that makes the link with financial reporting, because one thing that we should look at in the longer term is whether, in that consolidated financial reporting across local and national Government, it would be useful to have a picture of the totality of central and local government revenue spending against capital projects.

The Deputy Convener: It is not just the totality. We also need consistent reporting across Scotland, as was mentioned earlier by Colin Keir.

James Dornan: I have a short question about transparency in infrastructure projects. How transparent are existing projects compared with the previous PFI and PPP projects?

11:00

Sir Peter Housden: We have always sought to render for Parliament and the public an accurate photograph of the picture of spending, but I think that the seminal moment was the Auditor General’s report in 2008 and the decisions and work of the committee’s predecessor in 2009, which set the framework for subsequent Scottish Government reporting. As I said, a variety of new financing sources have become available to Government over that period, and the committee is right to want to see a comprehensive and consistent basis for reporting them to Parliament. In our letter to the committee, we have committed to take that approach and to undertake that work with the committee, and we are happy to do that. However, the frame for all of that was set by the 2008 and 2009 work of the committee.

James Dornan: Does that mean that the NPD model, for example, is less opaque than PFI/PPP? Is it easier for us to get information with it and for you to report it?

Sir Peter Housden: I do not want to venture a judgment on the types of material that were presented in Scotland on PFI as opposed to NPD, because I have not seen that type of information, but we would be happy to offer a commentary if the committee would find that helpful. Following the 2008 and 2009 work, we have sought to present an evolving and complex landscape as clearly as we can, and we shall continue to do that on the basis of the Auditor General’s helpful report.

Bob Doris: You mentioned 2008-09. For clarity, I want to ensure that we are talking about the same thing in asking my question. My understanding is that, in the past few years, there has been an improvement in the amount of information that has been made available to the committee and others and that, in 2008-09, there was the first opportunity for structured reporting to the committee every six months on large infrastructure projects. Will you say a little bit about that and compare that with what happened before?

Sir Peter Housden: I think that that is correct. Since 2009, six-monthly reports have gone to the committee on projects of over £50 million. That was part of our response to the committee's earlier work. From February this year, we have put a fuller list on the web, with information on projects of over £20 million plus all schools and community health projects that are being delivered through the hub initiative. Clearly, that represents an increase in transparency. It covers costs and key delivery milestones. We updated the information yesterday as part of our pipeline and included more information on total capital investment costs along with contract costs where they have been different. Those things represent improvements in the way that you have described.

Bob Doris: That is helpful. I will not draw you on the matter, Sir Peter, but one reason for asking the question was to get that on the public record and to show that the Scottish Government has made continual improvement in reporting and transparency. I believe that the reports in the press to which you diplomatically referred in your opening remarks came from a former convener of the committee, Iain Gray, who was the Parliament's finance minister in 2003. My understanding is that there was less openness and transparency when Mr Gray was the Parliament's finance minister, and I find that there is a—

The Deputy Convener: I am sorry, Mr Doris, but I ask you to address the report that is in front of us. What Iain Gray said or did not say as finance minister or shadow cabinet secretary is not really important. I would like you to address what we are discussing today and address Sir Peter Housden.

Bob Doris: Let me rephrase that, then. Compared with 2003, when Iain Gray was finance minister, and despite Iain Gray's flawed attacks in the press, does Mr Housden think that transparency and openness have improved in reporting to the committee on large infrastructure projects? More important, where there is more to be done, are you ready to address those issues and improve reporting further?

Sir Peter Housden: There are three points in that, which I will take in turn.

First, I cannot offer a view on arrangements from 2003 forward. Secondly, however, I can say that, from 2008-09, there has been a significant change and increasing transparency in the format of the reports in question, which has been driven by the work of the committee. Thirdly, we are indeed committed to continuing that improvement in dialogue with the committee.

However, I do not think that this is a straightforward task for you or for us, because the range and complexity of the funding sources and the scale of projects and the different stages that they go through mean that there is an enormous wealth of data to be rendered in an intelligent way. We will of course work with Audit Scotland and the committee to produce something that meets your needs.

The Deputy Convener: I remind members that we should not ask civil servants to comment on or offer judgments or opinions on party-political issues. I thank Sir Peter Housden for remaining on the subject of the Audit Scotland report.

Bob Doris: Ms Scanlon, I have a detailed question that is not remotely political, if that is okay.

The Deputy Convener: Yes.

Bob Doris: I appreciate your indulgence in allowing me to put that evidence on the record, even though you would rather—I assume—that I had not done so.

Sir Peter, you said that reporting the overall cost of projects can be complex. For example, the cost of land purchase might sometimes be included in the overall cost and sometimes it might not. Will you say a bit more on how we have to be careful about how we use the data that is presented? For instance, could the construction costs of a project be pretty healthy but the overall cost of the project be misrepresented because of the land-buying costs? When we ask for more detailed and consistent data, the right boxes might be ticked, but that might not necessarily mean that the data is presented in a way that compares apples with apples. Might there be such dangers in how we get information?

Sir Peter Housden: That is a fundamental point, because attention will often be focused on the contract prices. The question will be how much the Scottish Government will have to pay following a tendering process for construction works. That guides attention to a particular set of costs, but they will not represent the total cost, however defined. It might be helpful to hear from David Middleton specifically on the transport aspects, as that will bring out the flavour and the reality to which you properly point.

David Middleton (Transport Scotland): Often, in commenting on existing bodies of transport infrastructure work and future work, the market—the contractors and potential funders, depending on the source of finance—will be interested in the potential contract price for the amount of work that they will be bidding to undertake. In that context, it could confuse the figures if they included whatever cost had been incurred for preparation and land purchase.

The M74 extension is an example of a completed project—as opposed to the live projects that have been reported on—that I hope people will agree is in good use. The costs of that are often discussed in terms of the amount that was involved in building the motorway, which is a substantial stretch of motorway around part of Glasgow. However, not surprisingly, the total project costs were somewhat higher, because it was an urban motorway and a considerable amount of money had to be spent to buy the land and prepare the project for the contractor to build the motorway. In that context, there was quite a gap between the total project cost and the actual contract cost.

Ainslie McLaughlin, who is sitting on my right, knows a lot more about that than I do, but my answer may suffice. We would emphasise projected contract prices for some purposes but provide costs in other cases for accountability purposes—we have never sought to hide that. Wherever there has been advance purchase of land for live projects, we have always been asked to account for all the costs. We will often be probed at public inquiries, through PQs and in other ways to display the costs that have been incurred before we get to the tendering stage.

Bob Doris: That is genuinely helpful, because some commentators have sought to compare whole-project costs with construction costs. They then consider the differential cost and assume that there is an issue. However, I think that it has clearly been pointed out that the costs have to be accounted for differently because of the purchase of land and possible pre-construction costs.

The Deputy Convener: Thank you, Mr Doris, for seeking clarity through that question.

Willie Coffey: Thank you, Sir Peter, for your earlier remarks attributing some of the good work that is being done to Audit Scotland's report and the work of this committee—certainly during my earlier years as a committee member. I recall that, at that time, some of us wondered where the reporting was on capital projects and so on. That led to what we now get at the Public Audit Committee.

There was a discrepancy in the figures but, as far as I am concerned, you have explained perfectly well the difference between the figures in the Audit Scotland report and the information in the reports that were given to this committee. That gives rise to the opportunity for us as politicians to make capital out of that, so it is important for me, as a member of the Public Audit Committee, to ask you to ensure that all the data that you present to us is consolidated and includes everything, and that no opportunities are provided for politicians to interpret the figures in the way in which they often do. Audit Scotland has also said that on a number of occasions. I make a plea for you to include everything so that we have the big picture.

You asked whether the data quality in the reports that we get is good. I think that it is good, but I would not like to go from one extreme to the other—from having nothing, as we did in the past, to having hugely detailed, almost micromanaged, Microsoft project-type presentations on every capital project that is going on in Scotland. I do not think that that is the committee's role. I like the top-line figures being summarised in the way that you have, but I make a plea to you—I think that the convener and other members of the committee would agree with me on this—to include all the data so that there is consistency that we can rely on. Is it your intention to provide that for us in future?

Sir Peter Housden: Yes, I think that that is a very fair and important summary.

The anchor point for me with any data that we provide is not only that it should be accurate, but that we are quite clear and transparent about what it is describing—in other words, its basis—particularly when we bring figures together in a total, so that the committee and people more broadly can see what the constituent elements are.

I am also keen that we provide the maximum degree of transparency so that if, through the proper processes of parliamentary scrutiny, the committee wishes to dive down further to a level of specific detail, that is possible and the information is navigable. There are some limitations to that, particularly in relation to commercial confidentiality, as the committee has recognised in its work, but—subject to those considerations—I think that we should be explicit about the bases for the information and provide transparency through to the level of detail that the committee would find helpful.

We are certainly not suggesting that broad generalities will enable the committee to do its work. It is clear that the committee needs the right to get into the heart of such issues at levels of detail. I think that it is a professional challenge for us, with Audit Scotland, to make that route open and accessible, and to produce intelligible data.

The Deputy Convener: We will have an opportunity to ask you about that in more detail under the next item.

Ken Macintosh: Sir Peter, you started by saying that you draw confidence from the Auditor General's report. In her report, she said that the figures that the Government presented were "inconsistent and incomplete". Furthermore, she said:

> "There is no information to help assess the affordability or otherwise of such projects."

How do you draw confidence from those remarks?

Sir Peter Housden: I have three things to say about that. First, the general context, as the Auditor General's report makes quite clear, is one of well-managed projects that are delivering their intended benefits for Scotland. The Auditor General properly points out, as the committee has done, that there are real advantages in having a consistent set of data available in order to scrutinise work. We have acknowledged that and said that the evolution of reporting from 2008-09, which is taking place across a landscape of gathering complexity, is not at a finish point, so we would like to work with the committee to ensure that it has the data that it needs.

On your third point, however, we can indicate that there is data in the public domain on the affordability of such projects. That is not to say that it could not be rendered more clearly and comprehensively. If we consider the issue of affordability in the context of the cap, the Government has answered a parliamentary question on that and published information on it in its budget report for 2013-14, and we expect that Mr Swinney will return to the issue. We are looking at a process of continuous improvement. Looked at in the round, the report gives me confidence—and I venture that it should give the committee confidence—that the projects in question have been well managed.

Ken Macintosh: Do you agree with the Auditor General's main point, which is that the Parliament should be made aware of the total cost of the projects, not just the construction cost? In other words, she is saying that there is a difference between the two. Do you agree with that point?

11:15

Sir Peter Housden: Yes. An important part of the reporting framework that we are moving towards is that such data will be readily available across the range of projects.

Ken Macintosh: Given that the information was not provided to Parliament previously, how do you monitor the difference between the construction cost and the total cost?

Sir Peter Housden: Again, I think that it would be helpful for you to hear from David Middleton on the transport aspect.

David Middleton: We are accountable for all our spending and we report in various ways, certainly to the centre of the Scottish Government. When budgets are published, we require budget cover for expenditure on projects such as the Forth replacement crossing and—in the past—the M74 and the M80. That is the gross expenditure that we are incurring in that year on the project as a whole. Where we are preparing for projects in the future and incurring expenditure on land acquisition and site preparation, that will be explicit in our accounts and our budgets.

The Deputy Convener: I have a supplementary question on that issue. Sir Peter, you mentioned that the projects are very well managed and you have been very complimentary, saying that everything that you do is just wonderful. However, I highlight exhibit 8 on page 35 in part 3 of the report, on

"Financial management and public reporting",

which is headed

"Assessment of project cost estimates against good practice requirements".

The Edinburgh to Glasgow rail project is rated against nine good practice requirements, and you meet three. That does not show that the project is well managed. Three out of nine is 30 per cent.

Sir Peter Housden: Can you remind me of the reference for that?

The Deputy Convener: It is exhibit 8 on page 35 in part 3 of the Audit Scotland report "Scotland's key transport infrastructure projects". The title is

"Assessment of project cost estimates against good practice requirements".

You may not agree with the Auditor General on the £500 million shortfall or whatever, but it is clear from exhibit 8 that, for the Edinburgh to Glasgow rail project, you meet three out of nine good practice requirements. That does not show that the projects are well managed.

Sir Peter Housden: Perhaps David Middleton can enlighten us here.

David Middleton: We said that we would take note of the Auditor General's report, consider it and report on our processes. With regard to the way in which that information is presented, we believe that the Edinburgh to Glasgow improvement programme has already served Scotland well. It is a programme of projects rather than a single project—for example, Cumbernauld electrification is proceeding at present, and Network Rail has the main contract for the main electrification between Edinburgh and Glasgow out to tender. It is, in many ways, an ambitious programme. There are one or two "Partially" ratings and a couple of non-applicable aspects listed. We felt that—

The Deputy Convener: There are quite a few "No" ratings as well.

David Middleton: We felt that we took appropriate account of risk in the project. The Auditor General's report contains comments about the Borders railway project and the Edinburgh to Glasgow improvements with regard to the updating of business cases et cetera. However, it struck me on reflection that that has a lot to do with their being rail projects, which have a particular financial mechanism wrapped around them that is not just a matter for the Scottish Government through Transport Scotland, but is validated by the Office of Rail Regulation.

We like to think that we have an impressive track record of delivering rail projects with Network Rail. The Airdrie to Bathgate project was completed on time and on budget, as were the Paisley corridor improvements, which do not always rate as high-headline but still comprised £170 million-worth of infrastructure plus another £60 million of station and platform improvements.

On the Edinburgh to Glasgow improvement programme, we had to make a change in scope—that was explicit—around the affordability threshold, but I believe that we are nonetheless on track to meet the target for that project of electrifying the line by December 2016. We have taken appropriate account of optimism bias and risk, and I hope that, when the project is more fully developed and we can see it being developed, it will be viewed as a much better example of good delivery by Transport Scotland, as other rail projects have been in the recent past.

The Deputy Convener: Mr Middleton, do you understand why it would raise warning signals for us—as cross-party members of the Public Audit Committee in the Scottish Parliament—and that we would be concerned when we are told that you neither included the capital costs in your business case analysis nor know the life-cycle costs and revenues?

David Middleton: I understand that, and I am sorry if anything that I say gives the contrary message. The table is a very stark presentation. I understand why people like stark presentations, but I think—

The Deputy Convener: That is what we are looking for.

David Middleton: If members were to go through the individual items, there would be more to be said. I do not think that the Auditor General said in the report's recommendations and key messages that the Edinburgh to Glasgow improvement programme is in trouble or is a project at risk. She recorded accurately that the scope was adjusted by ministerial decision, but she still says that Audit Scotland feels that we are on track to deliver to the amended timescale. The conclusions and recommendations ask us to look at our processes and we will take those recommendations forward.

I do not believe that some of the findings are quite as stark as the "No" ratings in the table suggest, and those ratings are not carried forward into general comments on the state of the projects. However, I understand the point and I would be happy to expand on the detail in any way through any follow-up, as we think that we have delivered rather better than some of the stark terms suggest.

The Deputy Convener: Thank you. We can only go on the Auditor General's report; we are tasked to scrutinise the reports. As a lecturer in a previous life, I note that 30 per cent is not a good mark.

Kenneth Macintosh has some more questions—I apologise for interrupting him.

Ken Macintosh: To continue from where we were, the Auditor General has revealed a £500 million difference between the construction cost and the total cost of the projects. How were those figures presented to the Parliament for accountability?

Sir Peter Housden: My report to the Public Audit Committee on projects that are in the pipeline gave figures that described, essentially, the contract construction costs. Audit Scotland reached the larger figure by including a range of other costs associated with the projects. I would be happy to take the committee through that project by project if it would be helpful. The key point is that both sets of figures are accurate and valid. They are just describing different things.

Ken Macintosh: My point is that it is the job of the Public Audit Committee and the Parliament to hold the Government to account for these figures. You have presented a set of figures that is missing £500 million and I am trying to work out whether that figure has been presented to Parliament in some other shape or form. Can you point to the documents in which the £500 million is published? How can we follow or scrutinise the figures to see whether there has been slippage, whether the projects are on target and so on?

Sir Peter Housden: The burden of the proceedings at the committee today, Mr Macintosh, is really to say that Audit Scotland's recommendation is that a uniform set of costings should be made available to the committee in a more consistent format. As you will have gathered from our letter and our testimony this morning, we endorse that recommendation. It would be possible to identify, for each of the projects concerned, the detailed reporting to Parliament of each of the costs. I am happy to do that after the meeting if it would be helpful.

Ken Macintosh: In your introductory remarks, you suggested that one of your duties is to provide Parliament with helpful and appropriate information. You have provided information on all the major capital projects, but it does not include £500 million of the costs associated with them. I am trying to find out in what helpful and appropriate way you have presented that information to Parliament.

David Middleton: To supplement what Sir Peter said, each of those projects will have been through its own scrutiny. Some have had direct legislative scrutiny in this Parliament, as the Forth replacement crossing had and, going back a bit, the Borders railway had through the Waverley Railway (Scotland) Bill. The sum and substance of the presentation to the Parliament of each individual project is not represented by the permanent secretary's six-monthly letter. As Sir Peter said, it can be expanded to include all the figures, but it is not, of itself, a request for authority to spend. The authority to spend comes through specific legislation and, ultimately, through the budget.

For example, the Forth replacement crossing was, as I think the Auditor General recorded, very fully reported. As regards the costs, whenever ministers have had to make written or oral statements about specific projects or announcements about proceeding on the M8 bundle, the Aberdeen western peripheral route or the Borders railway, they will have communicated to Parliament the full range of activity that is being undertaken to take forward those projects. The appropriate spending is then presented at the appropriate time within the budget estimates.

The fact that one presentation emphasising the construction and capital spending aspect of the programme has looked at the construction cost does not imply that there has been any lack of authority obtained in the usual ways for the rest of the spending on those projects, which in some cases has already been undertaken. In the case of the AWPR, for example, a certain amount of spending has already been undertaken to prepare for the procurement, which is now under way through invitations to tender, which were issued after the report was concluded.

Ken Macintosh: My question was not implying in any way that there is a lack of authority. It was about accountability to Parliament. As I understand it, the point of giving six-monthly reports to the Public Audit Committee is specifically so that we can monitor the huge sums of public money that are being spent on these projects. The point is that £0.5 billion is not being reported in an accountable manner. As far as I can tell from your answers so far, you do not provide that information to the committee in an accessible manner. Am I right?

Sir Peter Housden: The burden of my response and David Middleton's response was to say that, if you look at the totality of the Parliament's processes through legislation, through the work of this committee and through specialist committees including the one that deals with transport infrastructure, that information will have been made available. The burden of the discussion today, with which we agree, is about the possibility of a further evolution of the overall reporting framework that would enable this committee to exercise scrutiny in the way that it would like. We agree that that would be a good evolution.

Ken Macintosh: In the Auditor General's report, a particular piece of information about the Edinburgh to Glasgow improvement programme suggests that the completion date has slipped from 2016 to 2018 or 2019. How would that information have become part of the Parliament's domain if it had not been for the Auditor General?

Sir Peter Housden: Again, David Middleton or Ainslie McLaughlin will be able to help here.

David Middleton: Mr Brown has made repeated statements to the Parliament to clarify the position on EGIP. There have been a number of parliamentary statements and debates on rail over the past 14 or 15 months and members of the Parliament, with their interest in EGIP and other projects, are not slow to make representations to the transport minister. Therefore, we regularly report on the progress of the various projects. Mr Brown has reported on EGIP on a number of occasions and recently he clarified the timetable.

It was always clear that, because of the changes in the scope of EGIP, the full achievement was going to be delayed. That was to do with the affordability questions and a need to rephase the project, but it is in the context of a transparent and substantial commitment of £5 billion to rail services in Scotland over the next five years. In that context, Mr Brown has been quite explicit about how EGIP has had to be rephased.

Ken Macintosh: Mr Brown may have made a number of statements, but before the Auditor General told the committee that, instead of being completed by December 2016, it would be completed by March 2019, was that information made available either through Mr Brown or through any other means?

David Middleton: I think that Mr Brown clarified the timings of aspects of EGIP in a debate in May this year. The Auditor General's report was published towards the end of June.

Ken Macintosh: Did Mr Brown clarify that the completion date had slipped to March 2019?

David Middleton: That date is to do with the full achievement of EGIP with the best achievement of journey times. I think that Mr Brown said that the electrification from Glasgow to Edinburgh would be complete, as intended, by December 2016. As regards the consequent requirement to make improvements to Queen Street station, which is the new factor that was brought into the equation by the changes that were announced in 2012, we cannot start work at Queen Street station too soon. We have the Commonwealth games and other matters to deal with, and the need for full changes to the platforms to allow the longest trains to have the best service pattern means that the full achievement of EGIP as previously envisaged will slip to March 2019. I think that Mr Brown was quite explicit on that in May 2013 and I do not think that the Auditor General's report, which was published a month later, provided a new slant on it.

11:30

Ken Macintosh: Sir Peter, do you agree that the point of the six-monthly reports to the committee is to ensure that the committee and the Parliament are aware on an on-going basis of how much the projects are costing and exactly when they will finish? The point is to monitor the projects, so do you agree that all the information should be not only available but flagged up and that it is your duty not just to be helpful and appropriate but to highlight the issues?

Sir Peter Housden: The account of EGIP illustrates the complexity of such projects across the board. Building on the framework that the committee established, we have sought to provide helpful information in consistent formats. However, we need to underpin that—as I believe that we have—by ensuring that, whenever we publish information about projects, we are clear about the basis on which the information is calculated. That provides transparency.

We are discussing a further evolution of the framework for how I report to the committee and we are happy to do that. We acknowledge again that, across the evolving landscape, it is a good thing to look consistently to improve the format of the information that is available to the committee.

The Deputy Convener: We will come back to that under the next agenda item.

Willie Coffey and Bob Doris would like to ask brief supplementary questions on the back of Ken Macintosh's question.

Willie Coffey: I remind colleagues where we are and where we came from. As Sir Peter Housden remarked, before 2008, we had no reporting like this—nothing. We did not know how capital projects or programmes were functioning. I am not aware of there having been any reporting to any committee—not even to the Finance Committee. We have come a considerable distance since 2008-09. Perhaps members could reflect on why such information sharing was not normal practice from the Parliament's establishment. That point must be made.

When a politician is presented with a table that has ticks on it or with boxes that say yes or no, it is easy for the politician to add them up and say that there is good or poor performance. However, in the example that the deputy convener gave of EGIP, there are 12 categories in the table—it is all about whether elements are in the business case analysis—and only three of them say no.

The Deputy Convener: Yes, but some elements are not applicable.

Willie Coffey: I know. I am saying that, when such tables are provided, what I described happens. The more important point is that Sir Peter Housden and David Middleton have said that they wish to include the kind of issues that Audit Scotland has reported on with regard to the business case and the data so that we get the broadest and biggest picture, which will allow us to scrutinise everything satisfactorily. That commitment has been made, and I appreciate that.

The Deputy Convener: Thank you for that. To be fair, the table was produced by the Auditor General, not Sir Peter Housden, and it was designed to examine the projects and mark them against good practice.

Bob Doris: We are getting to the nitty-gritty of how we can constructively take forward greater scrutiny and better reporting. That is where we should be as a committee—always trying to improve.

Sir Peter, would you be minded to include in the six-monthly reports that the committee gets details of slippage and completion rates? Would that be done as standard for something such as EGIP? I think that Mr Macintosh suggested that you should report any slippage immediately to the committee, but I am not sure whether that is correct. Would you do that, or would you mop up such issues in the six-monthly reports?

We are the Public Audit Committee, but another committee might have a lead interest in being informed of any delays in large transport infrastructure projects. Where would the information on slippage best go—to us or another committee? For example, I sit on the Health and Sport Committee, which receives regular updates on the progress of the Commonwealth games 2014 project as a matter of course. There are examples of good practice across the Government already, but I am interested in how the process would work in relation to large transport infrastructure projects. Would the information come to the Public Audit Committee as part of the six-monthly report—and, if not, could that happen—or would it go to another committee?

Sir Peter Housden: That point is important. The Public Audit Committee's work sits atop the work of specialist committees, and understanding that division of labour to enable committees to do their work is an important parameter for the future.

I would not want to venture views today on what might or might not be included in the six-monthly reports. There is a proper dialogue to have on what the committee would find most helpful and salient and on how we might help to provide the tiers of information that would enable the committee to access greater detail when that is appropriate. That is a subject for further discussion and on which we look forward to subsequent work with Audit Scotland and the committee.

Colin Beattie: For clarification, at what point in a project's lifespan is the project included in the 5 per cent cap? Given that projects can change as they move forward—for example, when the contract is signed, its value might be different from that when the project was first included in the budget given to Parliament—at what trigger points is the value adjusted within the 5 per cent cap?

Sir Peter Housden: Alyson Stafford will be able to assist.

Alyson Stafford (Scottish Government): On the 5 per cent cap, all contracts that have reached financial close and have been agreed to will be part of the core costs that we track. As for additions beyond that, clearly the budget announcement of a £2.5 billion pipeline of projects a few years back set out a future commitment. We work with the people who are leading those projects to get the best estimates of costs and of when the contracts will reach financial close. Therefore, we have an indicative estimate of where and in which financial years the costs will fall, based on the progress of the NPD projects.

Colin Beattie: To be clear, do contracts drop into the 5 per cent cap when they are signed?

Alyson Stafford: Contracts that have been signed are already counted, so we have a lot of history on contracts that have been in place over a number of years. They are part of our calculation. Over and above that, we provide ministers with estimated costs of prospective contracts that will go through procurement or the early planning phases and of the year in which those costs might fall. We add those estimated costs to the baseline of known costs and measure that against the 5 per cent cap that has been set.

Colin Beattie: That is understood. I asked whether there are trigger points at which you update or adjust the estimates. Is that an on-going thing, or does that happen only at certain points in a contract's life cycle?

Alyson Stafford: For our internal management, the main trigger points that we use are what we describe as fiscal events, which mainly relate to the UK budget phases. Usually, there is a budget around March and there is an autumn statement. Those fiscal events are material because the cap is based on a percentage of our actual allocation, so our forward estimates of that allocation are obviously relevant, in addition to the forward estimates of the costs that are set against projects. We get the best snapshot broadly at six or seven-month intervals, depending on those fiscal events.

Colin Beattie: If a Government project was going over budget—of course, Government projects never go over, but let us talk theoretically—when would you capture that?

Alyson Stafford: If the project has completed its contracted phase, it will be included as an actual figure. If the project is part of the £2.5 billion pipeline of NPD projects that was announced, we will build in estimates based on the £2.5 billion commitment that was outlined.

Colin Beattie: So there is a rolling update.

Alyson Stafford: There is a rolling update on a six-monthly basis, which seems to be the best interval. We do not look at such matters every week; we tend to work on them on a six-monthly basis.

Colin Beattie: So, every six months, you review the outstanding projects to see whether they are still on schedule and whether there are overruns or other commitments that might affect the 5 per cent cap.

Alyson Stafford: Largely in terms of the procurement and contracting arrangements, yes.

The Deputy Convener: I will raise two questions. The first follows from what Colin Beattie asked about local government spending; of course, there are significant projects in local government and in the NHS. How closely do you work with local government to offer advice and support on major capital projects?

Sir Peter Housden: Alyson Stafford might be able to help, because the hub development is central to that.

Alyson Stafford: Local authorities have their own capital allocations and their own means to raise money. They have their own structures and processes for that.

The Deputy Convener: I appreciate that.

Alyson Stafford: The interface with the items that we are discussing is through the hub project. There is oversight through a hub board, and hub regions have been established. Local government also has access to information through construction procurement advice and the Scottish Futures Trust; that is how advisory facilities are made available.

The Deputy Convener: So there is quite close co-ordination between local government and national Government on major capital projects.

Alyson Stafford: That depends on the scheme. For example, because there is a national programme for schools and a national programme board to oversee those projects, there is greater visibility and interaction between central Government and local government, as they have a shared interest in delivering that programme.

Hub is another model that Sir Peter Housden has mentioned, and a lot of that work relates to community facilities and local facilities for health and social care. Anything beyond that is largely in the gift of local government; it is usually on national programmes that we work closely together.

The Deputy Convener: I appreciate that, but the committee's role is to look at value for taxpayers' money. We are not allowed to hold up national newspapers in Parliament, or we will be reprimanded by the Presiding Officer, but I picked up my copy of *The Inverness Courier* this morning and read that the Inverness bypass building costs are rocketing by £270,000 a month. As a taxpayer in Inverness, I know that that does not exactly lead to trust and confidence in our financial reporting and support.

There have been many projects in which the Scottish Government has been involved and many in which it has not been involved, and I do not wish to lay the blame at your door. Registers of Scotland said that it could have done with more back-up from the Government, and I am concerned about other cases going forward, because £270,000 a month is a significant amount.

Alyson Stafford: I agree with your observation. You might wish to explore the subject further with the Auditor General, from the point of view of the Accounts Commission's findings on oversight of local government.

The Deputy Convener: We are due to finish at 11.45 and we are almost on time, so I shall come to my final question. Sir Peter, I will ask you about your response to the committee. Like other members, I read annexes A and B to paper 5. As this might be my one and only opportunity to chair a committee, I shall take full advantage of my remaining two minutes.

In annex A, you respond to the question:

> "What is the response of the Scottish Government to the key messages and recommendations made in the AGS report?"

I was not impressed by your response, which states:

> "We commit thereby to work with Ministers".

I am sorry, but I do not think that that is good enough. In response to another question, you state:

> "We will undertake a ... review".

In a third instance, you state:

> "We are reflecting on how best to respond to this recommendation",

and references to the 5 per cent limit are all over the place. I am speaking personally but, as a committee member, I do not need you to write to tell me that you will work with ministers. We assume that you will work with ministers.

I have been ticking my checklist again and I find from annex B that, out of eight recommendations, you agree with two. I do not find that helpful. You say that you will "undertake a further review", at one point you say that you will work with colleagues in the Scottish Government and you say:

> "Our risk management framework is reviewed annually".

You also say that you will consult other bodies. I find that insulting, not only to the committee but to the Auditor General, to whom we look for fair and accurate representations. I am not here to make a party-political point, and I am sure that you have not been ignoring John Swinney all these years, but I do not wish to get a letter that says that, all of a sudden, you will work with ministers. That is not good enough. I would like something a bit more robust than that.

Those are my comments and I would be happy if you would like to respond, because I was not impressed.

Sir Peter Housden: This morning's conversation has been helpful for us in understanding a broad range of perspectives from the Parliament. We found the Audit Scotland report wide ranging; it covered a significant number of issues that we need to reflect on in the light of your comments. In some ways, we also need to bring together the day-to-day realities of delivering the projects, with their accounting, reporting and evaluation, which David Middleton and Ainslie McLaughlin gave a flavour of this morning.

This is tricky to get right, and Audit Scotland has suggested a process through to the end of the year whereby we should resolve things. That should enable the committee to reach a view on whether that provides a basis for its work. We are committed to doing that and I am grateful for the comments, advice and steer that we have had this morning.

The Deputy Convener: I would like to think that, in the future, we could have a better partnership and better co-ordination. I would respect you much more if you did not respond in the tone that I described.

11:46

Meeting suspended.

11:55

On resuming—

"Developing financial reporting in Scotland" and Evaluation in the Public Sector

The Deputy Convener: Agenda item 5 is on the section 23 report "Developing financial reporting in Scotland" and on evaluation in the public sector. We are delighted to have Sir Peter Housden and Alyson Stafford still with us. I invite Sir Peter Housden to make a brief opening statement.

Sir Peter Housden: I will be very brief. Our view of the Auditor General's report is that it is both timely and helpful. It contains a good set of questions to be discussing currently. We think that, in Scotland, we start from a good place on the issue, because the Government's accounting processes accord with best practice and international standards, so there is a firm foundation. The UK Government's move over a number of years to whole of government accounts is an important development on which the Parliament and Government need to reflect in order to establish an appropriate path for Scotland. As the deputy convener said earlier, changes are already under way that are associated with the Scotland Act 2012 and its implementation, and those raise questions about reporting.

We therefore welcome this conversation. Alyson Stafford, who is our lead professional accountant in the Scottish Government, will work with Caroline Gardner on the issues and will be happy to pick up on any specifics that the committee might wish to ask about.

The Deputy Convener: Thank you, Sir Peter—that was helpful. I invite questions from members.

Colin Beattie: When the Auditor General gave evidence, I raised with her the question of quality of data collection, and she said that, in relation to financial reporting by the Government, there does not seem to be an issue with the ability to capture relevant data to enable accurate reporting.

However, a wider issue arising from that, which we have discussed repeatedly in the committee, is that pretty much on a legacy basis the quality of data that we capture across the public sector is generally poor. There have been cases in which the Auditor General has commented strongly that, although she has reached conclusions, they are based on evidence that is not as strong as it should be or could be, if there was better data collection. The committee has often discussed how best to implement a solution to that across the board.

We see patches here and there and we get snapshots from different parts of the public sector that indicate clearly that there is a general problem. Clearly, the situation is improving in some areas, but there seems to be no joined-up effort to improve it 100 per cent across the public sector. The approach seems to be that, as and when an issue comes up, it is fixed. Is it possible to consider whether there is a better approach?

Sir Peter Housden: I agree whole-heartedly with the committee in attaching importance to the issue. Colin Beattie has pointed to the fact that there is a whole world beyond financial data; you are also right that there are legacy questions. It is important that, when policy is being developed, we have absolute clarity on the objectives of the policy, how we will know what success is and how it is to be measured.

We must also understand how information is to be collected and reported, which is Colin Beattie's point. Part of the problem with legacy issues has been the absence of a logical sequence and/or a shift in the perspective of programmes over the years. A programme might have begun with particular objectives but moved on to others, so the data that were originally collected no longer enable the committee and others to form an intelligent view on the success or otherwise of the programme.

There is a whole-Government concern about those questions and a drive to improve quality across the board by tackling those legacy questions and by ensuring that our new policy work is appropriate in that way.

12:00

Colin Beattie: I must emphasise that this is an audit committee and that, as a result, we work on figures and statistics. If the statistics are inaccurate or inadequate, it makes it very difficult for us to do our job effectively. In some cases, the figures that we have seen are quite equivocal.

Sir Peter Housden: I think that that is where our common interests lie. I, too, have a responsibility to get value for money and to deliver the Government's programme, so I, too, need those tools to do my job effectively. Indeed, we are working with the chief statistician and others in the Scottish Government because we share your concern about consistently improving the quality of data.

Colin Beattie: I am pleased that you have a concern and that you recognise the issue, but is anything actually happening?

Sir Peter Housden: In the current programme of public services reform, the Scottish Government has what in our jargon is called a programme board, which is headed by a senior official who is responsible for delivering that programme. Part of the board's responsibility is to ensure that the data arrangements that underpin that programme are adequate to the task. Inevitably—as the committee's work has thrown up—boards often deal with legacy issues of less-than-perfect integration between systems, which I know has been an issue for members in the past, or have other concerns. That is where the responsibility is located, and we are certainly giving priority to that in our work.

The Deputy Convener: I cannot speak for the whole committee, but I fully support Colin Beattie's point. Inadequate and occasionally inaccurate and inconsistent information has been a source of tremendous frustration for the committee.

James Dornan: I have a couple of questions that lead on from Colin Beattie's comments, but first of all I want to disassociate myself from the deputy convener's comments at the end of the previous evidence session, which I thought were inappropriate and undeserved.

Has the Scottish Government identified areas of public service delivery where there are data gaps and, if so, what action has it taken to address them? I am thinking, for example, of staffing activity in general practices.

Sir Peter Housden: The gaps are very specific to particular issues. As I said a moment ago, we have for each major area of responsibility a programme board with a responsible senior official, part of whose responsibility is to ensure that they have the data tools to do their job, including tackling questions of different data sources and points of collection. I know from its early work that that has been a really important issue for the committee, which has wrestled with different data collection practices and frameworks in health boards, and with difficulties in accessing general practitioner data. That is a matter of historical fact and colleagues who are working on those programmes are seeking to ensure that we get the best possible fix on those issues and, importantly, as new policy is being developed, that we have an appropriate data flow that enables us to understand whether the programme is delivering its objectives and which we can share with the committee to enable it to carry out its scrutiny work.

James Dornan: Can we be confident that in a year's time that flow of information and data will be much more readily available and consistent?

Sir Peter Housden: That is certainly our intention. As your work goes forward and as you deal with specific questions, I would want you to be progressively more confident that the legacy issues are being addressed to the extent that they can be addressed, and that new policy has a sound basis. That is an important priority for us.

James Dornan: I have a question about the 5 per cent cap that you might already have answered to a great extent. How do you plan to report the budgeted and actual position against the cap each year?

Alyson Stafford: The cabinet secretary will set that out in his budget document; it will be set out in next week's budget and I expect that to be the pattern from then on.

James Dornan: So, the issue is in hand.

Alyson Stafford: Yes.

James Dornan: I have a final question. Your report states that

"the Scottish Federation of Housing Associations estimated that the UK Government's welfare reform measures will adversely affect the income of around 20 per cent of housing association tenants"—

that could be a low estimate—

"with implications for the financial stability of social landlords. Should any of these organisations get into financial difficulty, the public sector",

with the Scottish Government at the top of it,

"may need to step in with financial and other assistance to secure continuity of services."

How does accounting for Westminster policy—policy failures, in this case—impact on financial planning and how do you get that information to us?

Sir Peter Housden: There is a wider landscape to which we must have regard, which can have financial and policy impacts on the Scottish Government's programme. The UK Government's financial settlement and policies are major contributors, but not the only ones. We therefore seek to monitor all those issues appropriately and effectively, offering advice to ministers on the implications for the Government in order to enable them to reach decisions and, where they deem it to be appropriate, to introduce new policy or to vary arrangements. Those are the issues on which scrutiny by the committee is available.

It is, as we have seen in the context of financial reporting, open to the committee to develop new pieces of work, to ask new questions and to hold Government ministers and officials to account for specifics of that type. You have both those avenues to pursue if you wish.

James Dornan: Okay. Thank you very much.

Ken Macintosh: I return to the subject of the 5 per cent rule—or limit, or whatever. You suggest that the cabinet secretary will give us more information on it in the budget. Can you explain what it covers? For example, when the Government pays back through a revenue finance programme does the money come out of only the revenue stream of DEL coming to the Government or does it come out of the capital stream, too?

Alyson Stafford: The payment to support contracts that are revenue financed will come from our resource budget.

Ken Macintosh: Does it come only from your revenue budget or from your capital budget as well?

Alyson Stafford: I am sorry. To use the same language as you, it comes from the revenue resource budget.

Ken Macintosh: I ask that because, as I understand it, the 5 per cent applies to the DEL budget. In other words, it applies to 5 per cent of revenue and capital together, but you then pay it solely out of the revenue budget. So, as a percentage of the revenue budget the figure will be higher than 5 per cent—the percentage will be different. Let us say that the capital accounts for roughly a tenth of the total budget. If you work out the percentage as a percentage of revenue and capital, the figure will be lower than if it were worked out simply as a percentage of the revenue budget.

Alyson Stafford: In terms of the arithmetic, yes—you are absolutely right.

Ken Macintosh: So, that is how it is done.

Alyson Stafford: Yes.

Ken Macintosh: At the moment, the calculation is also done simply on Government revenue—it does not include local government spending. Let us take a school, for example. Let us say that the Government commitment to a PPP project were 50 per cent—it would be 60 per cent for a secondary school, but let us use the figure of 50 per cent. In your revenue, you would count that 50 per cent but the local government commitment would not be included.

Alyson Stafford: That is right. In assessing it against the costs that fall on central Government, it is the central Government cost that is recorded.

Ken Macintosh: So, local government borrowing and local government revenue finance are not included, despite the fact that that revenue comes from central Government. That long-term commitment is not accounted for in the 5 per cent rule.

Alyson Stafford: Your exposition is absolutely right. Local government receives a grant from central Government and it has other income sources, as well.

Ken Macintosh: What about other bodies? Let us take Scottish Water, for example. Would its liabilities—its future borrowing—figure in your 5 per cent rule?

Alyson Stafford: The main relationship between the Scottish Government and Scottish Water is the loans that the Scottish Government gives to Scottish Water. I will use the same example as the Auditor General. When someone takes out a mortgage, they get the benefit of an asset that they can use, but they must pay the financing and other costs related to that over a period of time. That is the interaction that we are talking about. It is revenue-financed investment. For example, it is the non-profit-distributing models or whatever supporting schools, road transport or the college investment that is taking place through contracts that have been signed recently. It will also include the areas within transport that are on the regulated asset base. That is where an asset is being provided—for example, by Network Rail—and the financing of that must come out of our annual costs over a period of time. Depending on the contract, that could be 20 or 25 years.

Ken Macintosh: So, Scottish Water loans would be treated separately, but the rail asset base would be included and the funding for any borrowing against the rail asset base would be included as part of revenue financing.

Alyson Stafford: Where there are revenue costs that the Government must pay each year for the benefit of an asset that is being provided through a contract arrangement with another party, those costs would be included.

Ken Macintosh: Let us take, for example, the Borders railway and the EGIP programme, which have changed from being privately financed to being borrowed for against the rail asset base. Do you count both for the 5 per cent rule for revenue finance?

Alyson Stafford: Yes.

Ken Macintosh: Both are counted.

Alyson Stafford: Yes.

Ken Macintosh: Local government and Scottish Water are not included, but other borrowing is included. Are there other major projects that I have missed that would be included for the 5 per cent rule?

Alyson Stafford: It is about the financing arrangements that we have. Anything that comes under NPD-type contracts is included, as well as some historical contracts. Anything that was built under PPP or PFI arrangements, depending on which contract format was used, and requires the Government to meet revenue resource costs each year, is captured. We include both the legacy contracts and the new ones, along with the estimates of what we will take on in the future, based on the commitments that ministers have made.

Ken Macintosh: I am anxious to get this right. Local authorities can sign their own contracts if they want to, although they tend to sign them in conjunction with the Government. However, rail is operating as an arm of Government. It is not operating independently; it is borrowing on Government revenue, not its own. Is that correct?

Alyson Stafford: Network Rail will have its own financing arrangements to enable it to make capital investments in the rail network in Scotland. The key thing for the 5 per cent cap is that we recognise that there will be costs for the Government to pay over a number of years for the benefit of that asset being provided by Network Rail. Those costs are calculated and added in. That links in to the Auditor General's comments. This is one of the provisions for which it is within the gift of the Government to ensure that the future costs of such commitments are taken into account and managed well within the current framework of our finances, bearing in mind that the commitments stretch for well over 20 years, in most cases.

Ken Macintosh: Indeed. That is precisely the point that I am trying to get at. I am trying to establish clarity and transparency.

There are two separate issues. One is the ability of Parliament and others to monitor specific projects or decisions. I am thinking, for example—although we did not raise the matter earlier—of our ability to scrutinise the decision around reprofiling of the EGIP project and the move from its being privately financed to its using rail asset based borrowing. There is a difficulty in the Parliament's scrutinising that issue.

The second issue, which has been flagged up in the report, is about the transparency of figures generally. The Auditor General explained at length why, following the global financial meltdown, it is more important that we all have the information to hand.

The 5 per cent rule is designed to give some comfort, but it does not include all the future borrowing. That is the key point. There is a lot of borrowing going on in Scotland—against the public finances—for which the Government will, I imagine, be liable in the end. I could be wrong about that, but that borrowing is going on and government in its broader sense will be liable. Therefore, it should be publicly reported to Parliament in some way.

Alyson Stafford: There is a distinction between the scope of our constitutional landscape and the statutory arrangements that are currently in place for the Scottish Government. This good measure ensures that there is an appropriate financial management arrangement around the use of revenue finance to boost capital, which is obviously being pushed because, in the economic circumstances, infrastructure investment is seen as something that will help economic growth.

Seeing that in the scope of what we have now, and separate from the recommendations or commentary coming from the Auditor General about our handle on and understanding of the wider liabilities across Scotland, you are right to suggest caution in respect of testing whether all those liabilities would sit at the door of the Government if things went to a particular place in any public body. There will not necessarily be the same line of sight in all cases.

12:15

Ken Macintosh: Indeed. On the same point, exhibit 10 on page 20 of the Auditor General's report on financial reporting presents quite a stark and revealing picture of the rise in charges for private finance under the current Government.

You are suggesting that the Government has a 5 per cent limit. I was trying to work out whether the projects that are listed in the graph in exhibit 10 are all included in that limit. Would you be able to hazard a guess at whether or not they are?

Alyson Stafford: I do not tend to work on the basis of hazarding guesses, you will be pleased to know—

Ken Macintosh: Yes, exactly.

Alyson Stafford: Regarding exhibit 10, I would highlight local government as one area that functions in the way that we have just rehearsed. The costs that are shared with local government around the schools programme, for example, are shown in the graph for local and central Government. With regard to the 5 per cent cap, it is the central Government cost that we take into account.

Ken Macintosh: So, in other words, if the graph was to include local government finance, we may be within the 5 per cent central funding cap, but we would be well in excess of 5 per cent if we added in all those additional borrowing commitments.

Alyson Stafford: We would not necessarily be comparing on a like-for-like basis, though. We are dealing here with the funding that is available to central Government and comparing with that the cost that central Government actually has to face. That is around our present regime, with its particular construction based on Parliament authorising expenditure and overseeing the expenditure of central Government against the allocation that it is given.

Ken Macintosh: There are two different issues. One is being able to monitor and authorise that on an individual basis, and the second is being transparent about the bigger picture and the long-term liabilities. As the Auditor General said earlier, if there are other costs that are coming our way, that has a bearing on our ability to assess affordability over the long term and on our decisions about borrowing.

Specifically on contingency funding, a line in Audit Scotland's report on key transport infrastructure projects, right at the very end at paragraph 102, states:

> "Transport Scotland and the Scottish Government have not reported publicly the larger £5,154 million estimated spending commitments over 30 years for the four revenue-financed projects."

I think that that was because they were not including contingency funding. Is that right? Does the Government not include its contingency commitments for those projects?

Alyson Stafford: Can I just check that you are referring to paragraph 102?

Ken Macintosh: It is at paragraph 102, on page 42 of the transport report.

The question that I am trying to ask is, do you publish the contingency sum that is associated with either major or minor capital projects?

Alyson Stafford: Paragraph 102 refers to those projects that are revenue financed. Linking in with what we said earlier, when those contracts reach financial close and are signed, and all the commercially sensitive engagement has therefore been completed, we put them all on our website and set out what the unitary payments are. Those are the future payments that will, in effect, be the Scottish Government's liability.

We have been publishing those contracts for some time, including for the historic PPP, NPD and PFI contracts, and anything in the same vein. One of the items that was published yesterday shows the three most recent NPDs that have been completed and sets out the future revenue streams.

Ken Macintosh: Just to check, does that include the contingency sum that you set aside to cover those projects?

Alyson Stafford: I am thinking about the language that we are using here. It is actually measuring. Those publications set out the sums of money that will be required and it is those sums of money that we then take into account against the future budgets that we expect to have as to how far that takes us towards the 5 per cent cap. That is the link between the two.

Ken Macintosh: Can I just say—

The Deputy Convener: I still have two members waiting.

Ken Macintosh: In that case, this will be my final point.

The Auditor General published a helpful set of dashboards that might be a useful guide. She also suggested some principles for public reporting on infrastructure projects:

> "Specifically, information should help the Parliament to assess ... What projects are under way and how are they progressing compared to previously approved time, cost and scope targets? ... What are the full financial effects of current and planned infrastructure investment and in particular how does spending compare to 1) the capital budget and 2) the Scottish Government's five per cent affordability limit for revenue-financed investment?"

Do you agree with those principles?

Alyson Stafford: I will just find that in my papers, if I may.

Ken Macintosh: Sorry. That was quite a lot to read out.

Alyson Stafford: Yes.

Sir Peter Housden: What is the paragraph reference?

Ken Macintosh: Sorry. It is annex B on page 11 of—oh, sorry. This is a committee paper, is it not?

The Deputy Convener: It is a public paper.

Ken Macintosh: So it is public. It is annex B and is on principles that the Auditor General suggested might be used by the Government in reporting to the Parliament. It is about public reporting. It is on page 11 of the paper after the section headed "Major Capital Projects update – options".

The Deputy Convener: Perhaps the witnesses do not have a copy of the paper.

Alyson Stafford: Sorry. I now see the section that you are referring to, which refers particularly to

> "the full financial effects of current and planned infrastructure investment",

and how spending compares

> "to ... the capital budget and the ... five per cent".

Those are the sorts of things that we track in terms of good financial management. It reverts to Sir Peter Housden's earlier comment that there is an awful lot of detail behind this. There is also a range of different financing arrangements. For example, we have already talked about NPD, and there is the regulated asset base. More recently, we have loan facilities through something called financial transactions, which is a consequential of budgetary decisions that were taken in the UK Government. Those are the areas that I think we need to work through with the committee and with Audit Scotland on how we capture that information. It is something that is accessible to the committee, bearing in mind the different types of funding arrangements, which are quite multiple and set out in a complex way. However, I am happy to work with the committee on that basis.

Ken Macintosh: Thank you.

Bob Doris: I have a brief question first in relation to exhibit 10—"Estimated annual PPP charges for PPP projects currently in progress, over the period of the contract"—to which Mr Macintosh referred. I know that this is not the witnesses' exhibit, but I would like to know how the Scottish Government would report that information. I am conscious that someone looking at exhibit 10 could say, "Ah! Since 2007, there's a dramatic increase and trend there." However, of course, to get the full information you need to know when projects were started, because peak costs may be a year, 10 years or 15 years from the commencement date.

When the Scottish Government reports on PPP, PFI or NPD projects, would you seek to be a bit more sophisticated in terms of tracking? For example, a future Scottish Government from whichever party could be presented with a table like the one in exhibit 10 that might look as if there has been a significant increase in the Government's borrowing or their revenue commitments via public-private partnerships and NPD. However, that would not be the full story, because the essential thing is when the contracts were signed and when those liabilities were entered into. Would the Scottish Government seek to report in a more detailed way so that this committee and others could see the full picture?

Alyson Stafford: I will take this one. You are right to pull out that there is quite a lot of lead time before you would ever see something on a graph like exhibit 10, because there is the policy need and the concept of actually saying that a particular project needs to be delivered. There are also all the assessments that happen around the appropriate way of financing the project, such as the value-for-money case, economic assessments and so on.

Therefore, the costs that are recorded in exhibit 10 are recorded only when those assets have been completed—when the contract and construction have been delivered and the assets have been passed over for use in the public sector. It is at that point that the revenue finance liability—the requirement to meet those costs—passes to the relevant part of the public sector or central Government to pick up. How much information we can set out about that lead time is something that we would want to take away and work through.

The key thing from the point of view of assessing financial affordability and having the good discipline of working within the 5 per cent cap is to ensure that we have this information available. We would need to work through the background to the lead times and the lead-up to the costs in question. I think that we could probably do that on a generic basis and give some idea of what happened in particular years.

Bob Doris: I want to move on and talk about projections. It would be quite helpful to look at such information and see estimations of how close that would take you to the 5 per cent cap, because such projects are long-term investments. The point of having the cap is to ensure that we do not prevent future Governments from having the flexibility to make their own policy decisions.

I want to talk about projections, but in relation to another matter. In part 3 of the report, the Auditor General talks about the opportunities that exist to go further in the development of financial reporting. In particular, she talks about the need to be able to estimate future tax income under the Scottish rate of income tax and the discussions that will have to take place on that between the Scottish Government, HMRC, the UK Government and the OBR. An accommodation has been reached between the Scottish Government and the UK Government whereby, from 2016, for the first two to three years—regardless of any variation in the Scottish rate of income tax—the Barnett block grant will be retained. Only at that point will we become open to variations and fluctuations in income tax levels. I do not know whether it would be this committee or the Finance Committee that would want to look at that. When can we expect to get Scottish Government projections for what the revenue will be from a Scottish rate of income tax based at the base rate, without any fluctuations or variations? Can we expect such information to be provided by the independent fiscal office, the establishment of which there has been talk of? When do you expect that we will be able to see such information?

I realise that I am not being as concise as I could be but, rather than scrutinising things after the event, it would be helpful if this committee or the Finance Committee could have some projections that will tell us whether there is to be a shortfall—I would like to think that, with good economic policies, there could be a surplus—before we find out the realities. In what year do you think that we will get the first set of projections from the Scottish Government for what the revenue will be from the Scottish rate of income tax?

Alyson Stafford: You have outlined that there will be a period between the Scottish rate of income tax starting in 2016-17 and the Scottish Government being required to manage any risk to do with variability. It is fair to say that the Cabinet Secretary for Finance, Employment and Sustainable Growth is still to set out the detail behind the question that you raise. What I can say is that the OBR began to produce five-year forecasts for the receipts from the devolved taxes—which are a more immediate issue for us and for which there are not the same transition arrangements—in March 2012. Those are updated and we use that information. That probably gives you a reasonable idea of the sort of lead time that we would want to work to for the Scottish rate of income tax.

Bob Doris: That is quite helpful. Perhaps I should have asked my question in another way, as it was less about when that will happen and more about what the reporting procedures will be and whether they will involve the Public Audit Committee or the Finance Committee. Has any thought been given to whether the Public Audit Committee will scrutinise those projections and the realities, or whether that will sit with the Finance Committee? That might not be a question for today. In part 3 of the report, the Auditor General talks about opportunities for the Parliament to go further in the future as it gains more power and responsibility fiscally and in other areas. Do you have any initial thoughts about where such scrutiny would take place?

12:30

Alyson Stafford: You are right to highlight the Finance Committee as well as the PAC. There will be particular areas that are specific to the PAC and specific areas for the Finance Committee. There will also be areas where there will be appropriate interaction with both committees.

I recognise the role of the Finance Committee in scrutinising tax forecasts, which would be part of its review of the spending plans that are set out in budgets. I expect that you in the PAC would have a role in examining tax receipts and forecasts by way of scrutinising the audit arrangements and reports that come from activity to forecast and build in receipts from taxation. The devolved tax collection accounts would support that. Does that help you?

Bob Doris: It does help. I do not think that there has to be complete clarity just now. This is a repetition of what I said earlier about such questions being asked at such an early stage by the Auditor General, which is helpful in establishing how we take the matter forward. As long as these issues are on the radar and the Government is thinking about them, I am content. I am sure that we will return to the matter.

Alyson Stafford: Very much so.

The Deputy Convener: I call Willie Coffey, and we will then wind up the evidence session.

Willie Coffey: I would like to develop a broader picture. Colleagues have been excellent at picking out some of the detail. Sir Peter, the Auditor General presented a report showing us a landscape of assets and liabilities. Is it too early? When will the Scottish Government form a view about that picture of assets and liabilities, and about how accurate it may be? Is it as complete as the Auditor General presented it to us? You heard some discussion among members about things that were perhaps omitted on either side of the balance sheet. What is your view of that? When will you develop the Scottish Government's impression of what that landscape will look like, so as to establish the baseline that the committee discussed earlier?

Sir Peter Housden: There are some big considerations in play, as you describe. There is an important discussion to have, including with yourselves, about what would be helpful and appropriate for your purposes. Rather in parallel with the major transport infrastructure projects, there is a huge wealth of data that could be brought to the table. Transparency, and being clear about the bases on which different numbers are included and aggregated, will be really important.

We think that the relatively recent publication from the Auditor General is very useful, and we look forward to engaging with her on all the issues. I am not sure that I would venture a timescale for the conclusion of that but, as I said in my introduction, the report is timely because of the Scotland Act 2012 and other matters, and it will form part of our continuing work programme with Audit Scotland.

Willie Coffey: I am always mindful of what the public might think of all this work going on, and of how easy or difficult they might find it to access this kind of information. I always like to bear it in mind that, ultimately, we want to report to the public in Scotland about how Scotland is performing and so on.

The Deputy Convener: Hear, hear.

Willie Coffey: Whatever we do on data gathering, preparation, interpretation, analysis, evaluation and so on, it needs to be intelligible and understandable by the ordinary man and woman in the street. I would like to think that the contribution that we can make to this work would include that important element, so that the public can access this kind of information easily and readily.

Sir Peter Housden: That is a very important point. One of the aspects of Scottish government that has attracted international recognition and attention is the national performance framework, which provides a range of important outcomes, which are reported on in a transparent and regular way. The cabinet secretary is committed to the continuous development of all that, and appropriate financial information in parallel is an important component of an overall picture.

The Deputy Convener: I will ask two brief questions. First, what more can be done to explain the potential liabilities, and what financial risks do they present for the Government, from where we are at present? Secondly, has the Scottish Government identified areas of public service delivery where there are currently gaps in the data that it gathers, and what action are you taking to address that?

Alyson Stafford: I will take the first question on liabilities and risk. Our consolidated accounts capture the liabilities and risks that sit at the Scottish Government's door. As the Auditor General has said, those accounts are prepared on the basis of international financial reporting standards and for the past seven years have received a clean audit opinion. However, the discussion about risk, where it can be best managed and how that plays with our value-for-money duty is an interesting one, and such questions are worthy of further discussion.

With regard to the main areas of liability, our accounts set out disclosures, notes and explanations in line with what is expected in the standards for preparing them. As for making some of that information more accessible, I know that it can be terribly technical and complex, and we are happy to look at whether we can supply additional narrative without making the accounts so big that they just do not inform readers.

The Deputy Convener: Mr Coffey made that point very well. Indeed, the Auditor General has suggested that the Scottish Government consider developing its financial reporting to provide more information on potential liabilities. We look forward to that.

Alyson Stafford: My only other point is that we need to understand the landscape in which we manage those liabilities. The Government receives annual funding and has by statute been largely set up to authorise expenditure. Under the rules that we work within as things stand—and indeed under the auspices of the Scotland Act 2012—we are not in a position to build up any reserves and when we consider future liabilities, we are looking at how they might crystallise in any individual year and how we are placed to meet them. That is quite different between central and local Government and it is useful to bring out that distinction. We need to be really clear, when we explain about liabilities, about the means at which point and in which timeframe we are able to deal with them.

The Deputy Convener: Thank you for that.

Have you identified any public service delivery areas where there are data gaps and, if so, what are you doing about them?

Sir Peter Housden: The answer is no, convener. I do not believe that there are gaps. The national performance framework, which I have already mentioned, would sit at the top at what seems to me to be a whole raft of strong and excellent practice with regard to data in Scotland. In that respect, I would single out the financial and performance management of the NHS in Scotland, which is widely regarded as excellent.

In relation to new policies, the work on the minimum pricing of alcohol depends on a critical evidence, analysis and data argument. Great attention has been paid to that work, which has been acknowledged and recognised by the UK Government and others that share those objectives. We have also seen good practice in relation to how we define and measure the legacy of the Commonwealth games and how we come to more of an understanding about some of the geographic and demographic aspects of youth employment. There is lots of really good practice, but continuous improvement must be our goal and we entirely share the priority that the committee has attached to it.

The Deputy Convener: Thank you.

I thank colleagues for what I thought was an excellent session with thorough and robust questioning. We have made tremendous progress with regard to understanding each other and working together in future. I also thank Sir Peter Housden and Alyson Stafford for their co-operation and the very helpful evidence that they have given. I hope that we see you again soon.

We now move into private session.

12:39

Meeting continued in private until 13:02.

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