



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

PUBLIC AUDIT COMMITTEE

Wednesday 19 November 2014

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PUBLIC AUDIT COMMITTEE
18th Meeting 2014, Session 4

CONVENER

Hugh Henry (Renfrewshire South) (Lab)

DEPUTY CONVENER

*Mary Scanlon (Highlands and Islands) (Con)

COMMITTEE MEMBERS

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

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

*Bruce Crawford (Stirling) (SNP)

*James Dornan (Glasgow Cathcart) (SNP)

*Colin Keir (Edinburgh Western) (SNP)

*Ken Macintosh (Eastwood) (Lab)

Tavish Scott (Shetland Islands) (LD)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Graeme Dickson (Scottish Government)

Anne Moises (Scottish Government)

John Pentland (Motherwell and Wishaw) (Lab) (Committee Substitute)

Jonathan Pryce (Scottish Government)

Drew Sloan (Scottish Government)

CLERK TO THE COMMITTEE

Jane Williams

LOCATION

The Adam Smith Room (CR5)

Scottish Parliament

Public Audit Committee

Wednesday 19 November 2014

[The Deputy Convener opened the meeting at 10:04]

Decision on Taking Business in Private

The Deputy Convener (Mary Scanlon): I welcome members and the press and public to the Public Audit Committee. I ask those present to ensure that all electronic items are switched to flight mode so that they do not affect the committee's work.

Apologies have been received from the convener, Hugh Henry, and from Tavish Scott. I welcome to the meeting John Pentland, who is attending as Hugh Henry's substitute.

Under item 1, do members agree to take items 8 and 9 in private?

Members *indicated agreement.*

Section 22 Reports

"The Scottish Government consolidated accounts 2012/13: Common Agricultural Policy Futures programme"

10:05

The Deputy Convener: The committee will now take evidence on the section 22 report "The Scottish Government consolidated accounts 2012/13: Common Agricultural Policy Futures programme" from Graeme Dickson, Jonathan Pryce, Drew Sloan and Anne Moises.

I welcome the witnesses and invite them to brief the committee. I understand that Graeme Dickson wishes to make an opening statement.

Graeme Dickson (Scottish Government): Thank you, convener—I will try to be brief.

I remind the committee that the new common agricultural policy that is to be implemented next year is radically different from the existing policy. The futures programme that we are discussing today will give us a new system that will ensure the safe delivery of nearly £4 billion of support to our farming, food and rural affairs sectors in the next five years, and which will have a life well beyond that.

The new system, along with necessary and desirable business changes, forms a challenging and complex programme. We had to make many of the changes as a result of the European Union's requirements, and we knew that we would be doing so against a very tight timetable. For that reason, the futures programme has been fully within the sight of senior management in the Scottish Government and our ministerial team right from its early stages. Information technology is only part of the programme, but sound IT systems are required as a qualification for EU funding. The systems themselves, and not just the payments, need to meet the EU auditors' tough requirements.

One of the issues that the Auditor General for Scotland reported to the committee is the increase in the cost of the programme from the estimate in the original business case to the estimate in the current business case. That is related predominantly to IT development; the other cost estimates that we made are much closer to the original ones. When we agreed the initial business case in 2012, we did not know the details of the new schemes, nor did we foresee the complexity of the system that we would need to build.

The EU promised us a more simple CAP, whereas we will in fact have the most complex CAP ever, as I believe the new European

Commissioner for Agriculture and Rural Development has acknowledged. It is therefore not surprising that we have had to keep our business case under constant review and to amend it substantially.

The second issue that the Auditor General raised relates to independent assurance. The programme benefited from new procedures that were put in place following Audit Scotland's 2012 report, "Managing ICT contracts". Our information systems investment board used the Audit Scotland checklist when it considered the programme in 2012, and the programme has been subject to gateway reviews and regularly reported on to our audit committees.

The gateway reviews flagged a number of themes, some of which we had already identified. For example, we went out to recruitment for additional resources last year—we did not have those staff in place by the time of the May review, but we do now. We also recognised that there were issues with governance and planning. Again, those were not helped by the delay in the programmes being tied down by the EU.

In June, I asked for a rapid support team to be put in place to work with the programme's management to address the issues that were raised. That has been successful. We have completed a further gateway review in the last couple of weeks, which records that we have made great progress and that we are in a much stronger position to tackle the challenges.

In terms of progress, the programme has moved on from the section 22 report. We have completed user acceptance testing of the first major piece of software, and the final part of that has now been integrated and is in testing. It is all running on our new IT environment, which will give the programme a solid underpinning.

We plan for the portal to go live to customers next month. At that point, we will be at a critical phase in the programme. The remaining releases of the software, which will develop the functionality, will sit on that platform and be fed out at regular stages next year.

We have a clear plan in place and it is being followed. We now also have an excellent team in place, and we are working well with our IT partner, which is giving us support at the highest level in the company.

The one thing that we do not have is spare time. That was always a challenge, and it remains so, but I assure the committee that the programme is an absolute priority for me as the accountable officer and for our cabinet secretaries, and it will remain so until it is completed.

The Deputy Convener: I am grateful for that update. As you know, issues were raised in our previous evidence session on the report with the Auditor General. Bruce Crawford will start the committee's questioning today.

Bruce Crawford (Stirling) (SNP): I thank Graeme Dickson for his introduction and for bringing us up to speed on where the effort is being put in to make sure that the programme is delivered as close to budget as possible. The timescales are obviously hugely important, too—a failure in this area would mean a real problem for our farmers. I want to make sure that we are talking about an accurate baseline figure to begin with. I asked the Auditor General a question about that when she discussed her report with us, and we have had a paper from her. I want to make sure that the Scottish Government agrees with the figure that has been given to us.

Paragraph 8 of Audit Scotland's section 22 report refers to the original business case estimate of the cost of the CAP futures programme, which was £88 million. However, the Auditor General has now provided us with an adjusted figure of £102.5 million. Can you confirm that you agree with the Auditor General about that figure?

Graeme Dickson: Yes. We agreed that figure with Audit Scotland and are happy that it reflects the adjusted baseline.

Bruce Crawford: That is helpful. There has been an increase, but not to the same degree as previously.

You rightly said that the programme will deliver £3.9 billion of payments through the single farm payment scheme, the Scottish rural development programme and so on, over, I think, the next—

Graeme Dickson: Five years.

Bruce Crawford: What percentage of the CAP budget do you expect the programme's overall cost to be? What do you think the system's lifetime will be? Obviously, that will depend on what happens with the CAP in future. As I understand it, the previous system was about 20 years old. Anyway, it was falling over and was pretty moribund.

Can you give me a reflection of what is happening in the rest of the United Kingdom on the issue? It is obviously a problem not just for Scotland but for the UK and everybody around Europe. I would like to come on to the European issue at some stage in this discussion.

The Deputy Convener: We never promised you easy questions, Mr Dickson. You can break that down into 10 sections.

Graeme Dickson: While I respond to your first couple of points, Mr Crawford, my colleagues will work out the percentage that you asked for.

You are correct that our current system, which we are still operating and which will make the payments to farmers this year, is about 20 years old. If you think back to the type of IT systems that there were in 1994, you will get an idea of why we needed to replace the system. We believe that, like the current system, the futures system should last at least two programmes, which would be about 15 years. We have to depreciate it over a much shorter period in our accounts, but we would expect a 15-year lifetime. It is slightly under 3 per cent of the current programme. Drew Sloan can perhaps explain the calculation in a minute.

Bruce Crawford: I will take the figure at face value. I do not want to get into the technical detail.

The Deputy Convener: Mr Dickson, you are welcome to supply written evidence to the committee if it would take too much time to explain the calculation.

Graeme Dickson: Thank you, convener. We might reflect on our workings and show that to the committee, if that would help.

If I may make a supplementary point, Mr Crawford, we have calculated that the VAT is a big amount. We challenged that because it is clear in the contracting-out regulations that VAT for bespoke software should be recoverable. However, Her Majesty's Revenue and Customs wrote us a 12-page letter explaining why it was not recoverable. Given the quantum of the VAT, I am inclined to go back and challenge that. We will take up with our finance people the question whether we can get that money back, because it would make quite a difference.

In terms of the rest of the UK, I noted that when the Auditor General gave evidence to the committee, Mark Taylor, who is perhaps more in touch with the National Audit Office and other organisations than we are, said that people in the rest of Europe were facing similar challenges.

We do not go into the detail of other programmes as we have done with this one, but we know that colleagues elsewhere in Europe are facing challenges of complexity, not just in developing new systems but in delivering a complex system. We have tried to keep the changes that we made in Scotland as simple as possible, with the cabinet secretary's encouragement, but even so it is going to be terribly complicated.

Jonathan Pryce has just met the European paying agencies and may want to talk about what else is going on in Europe.

10:15

Jonathan Pryce (Scottish Government): Every paying agency across the European Union is facing its own challenges with implementation of the new common agricultural policy. There is a strong consensus that the new policy is very complex, which makes the implementation and delivery of policies in an operational sense extremely complex—we have found that, too. We know for certain that our colleagues in other UK paying agencies are, each in their own different ways, finding it difficult. Other European countries are finding different elements difficult, including keeping the mapping up to date and finding out all the details, which we do not yet have from the European Commission. We are still having regular teleconferences with Commission officials to establish the detailed interpretation of what Europe has set out in the regulations.

All those things continue to make this a challenging set of policies that we are working on, and we are certainly not alone in finding it so.

Bruce Crawford: Okay. When we had the Audit Scotland people before us previously, I quoted the European Court of Auditors' opinion, which expressed

"doubts as to whether the measures proposed can be implemented effectively without imposing an excessive administrative burden on managing agencies and farmers."

That is real, and you have reflected it in what you have been telling us. The question is, how do we learn the lessons from what has happened not only in Scotland but across the European Union? If Scotland has extra burdens, costs and inefficiencies, or extra issues that will have to be dealt with, the cost across the whole European Union must be enormous. What processes is the Scottish Government involved in to ensure that the Commission is learning the lessons of the incredibly complicated process that it has landed us with?

Graeme Dickson: The new commissioner has been horrified by the situation and has said that there is massive complexity. His initial approach was to say that we need to take measures to simplify it; of course, we are so far down the road that beginning to reverse the process could cause even more problems. Jonathan Pryce will talk about what we are doing.

Jonathan Pryce: We need to start thinking now about the next common agricultural policy, which will begin in 2020, and make sure that we are involved in the process and making these points at the beginning—and we will be. The Commission is learning lessons from how the policy has developed. It is the first time that the European Parliament has had competence in relation to the common agricultural policy, and the complicated

co-decision process between the Commission, the Council of Ministers and the European Parliament has created the space to allow many more complexities to be added. Each party tends to want its particular ideas included, and I am afraid that we have ended up with far too many options and different elements. Some of those are compulsory and some are optional, but as soon as they are optional in the domestic space we get lobbying from different sets of interest groups.

There has been some shock across Europe at how the process has gone over the past three years, and I am pretty confident that we will all learn something from it and take it from there. The European Court of Auditors' report was published in 2012, and a lot of the complexity has been added since then, so the cost increase will be a lot more than 15 per cent.

Bruce Crawford: Obviously, a lot of learning has to be done here.

I am sorry to quote the question-and-answer exchange that Colin Beattie had with the Auditor General the last time, but in response to a question, the Auditor General said that it was

"practically impossible to let a contract that has a fixed price at the outset. Costs increase as the work develops".—
[*Official Report, Public Audit Committee*, 8 October 2014; c 46.]

Can we do that in a different way in future to make sure that the type of contract that we are drawing up takes account of the complexity that can come in at a later stage? That would hopefully prevent some additional costs.

Graeme Dickson: I will ask Anne Moises, our chief information officer, to tell you about what we do in other areas. If we were going into a normal process that we had in our own hands, we would not have done it this way. We would have specified our requirements much more clearly in advance and negotiated with the contractor to help us to deliver something at a fixed price. The problem was that we did not know at the start.

In his contributions the last time, Mr Coffey talked about a customer telling the builder what they want and the builder starting off thinking that he was building a house but ending up building a block of flats. In other areas—I will ask Anne Moises to give you a couple of examples—we have a fixed-price contract; in this case, we have had to adopt a system of building things incrementally. At each stage, we have an open price with the contractor, we talk about the specification for that part, tie it down and move on. It is a difficult process to manage, but if it would help the committee, we can give an example of what we would normally do if we were starting ourselves.

Anne Moises (Scottish Government): I would always prefer fixed-price contracts and subsequently keep change control to a minimum. We let a lot of fixed-price contracts, but we tend to do that when we have a clear idea of the specification, so we know exactly what size and shape of house we are building, and we know that there will be relatively little disturbance or change during the life of the build. We have a clear idea of when we will start, what we are delivering and the timescales, which are, ideally, relatively short. On those occasions, fixed-price contracts normally work really well.

We have a track record of quite a number of in-house and fixed-price contracts that have been delivered completely to time and budget. None of those is as complex as CAP reform. If we had gone fixed price at the start of this, as Graeme Dickson suggested, the amount of change control would have been unbelievable. Companies tend to make quite a large margin on change control, as the committee is aware.

Colin Beattie (Midlothian North and Musselburgh) (SNP): I am looking at the timescales. The original business case was approved in December 2012. Obviously, it was developed during the months before that, but the IT partner did not come on board until March 2013. In retrospect, would it have been helpful if an IT partner had been identified and taken on when the business plan was being put together? I realise that there were issues with information coming from the EU.

Graeme Dickson: We agreed the business case in December 2012. We then went out to tender at the fixed tender time about three months later, in March 2013, and that was when we appointed an IT partner, which started work shortly after that. It would have been difficult to compress the timescale any more than that, given that we needed to go to tender.

Colin Beattie: It just seems that it would have been a little bit difficult to put a business case together because you would have been pulling IT costs out of the air, in effect. Increased IT costs form a major part of the overrun.

Graeme Dickson: Yes. It is very difficult, given that we have to go to competition to work with one preferential supplier, to work out those costs. In assessing the costs in the business case, we used the advisers that we had at that point and took soundings from a range of other people about the likely costs of such a system. The difficulty was that there was no comparable system of the required complexity out there, so, as the figures clearly show, despite having a lot of caveats in the business case, we underestimated the costs.

Colin Beattie: Is it true to say that every country in the EU will individually develop a system to cope with the issues? That seems remarkably inefficient.

Graeme Dickson: One reason why each country does something different is that they have different agriculture systems and geographies. As we have said, their stakeholders ask them to tailor things to different places. So, even within the UK, we will implement the CAP in a different way from England and Wales and Northern Ireland. I hope that I am confident in saying that our approach is simpler than those other two.

Colin Beattie: The point that I was moving towards is whether there is any way to save costs by sharing with others.

Graeme Dickson: We considered that 20 years ago, when the current system was set up. However, no system has emerged EU wide that deals with the complexity and range of things that need to be delivered.

Colin Beattie: Notwithstanding the huge increase in IT costs, you are taking a number of key functionalities out of the system. How will that impact? Will there have to be workarounds? Are you scheduling future work to capture those functionalities? I think that you said that the system will be good for two programmes further down the line. How will all that work?

Graeme Dickson: A number of things have been changed from the original plan. We have a land parcel information system—LPIS—that handles the 500,000 fields in Scotland and is a key control in our payments. We have modified the existing LPIS to buy us some time. The bit of functionality that will be lost is that, rather than farmers or farm agents amending boundaries online, we will need to do that. They will be able to see the boundaries on the screen, but they will not be able to do anything.

Currently, we use mobile technology to map field boundaries—our inspectors go out with kit on their back and a laptop. We had hoped to extend that to animal inspections and some other things, but we have since de-scoped the animal inspections part—that is the second thing that we have taken out. We have also taken out the ability to send people SMS messages. Other than the first one, which has involved a redesign, the things that have been taken out are fairly minor and we will bring them back in at a later stage.

Just to stymie us further, the Commission recently specified that we will need to bring in a new and different land parcel information system from 2016, so we will have to make a further substantial amendment as a result of that change.

Colin Beattie: There are IT costs coming down the line that are not yet quantified.

Graeme Dickson: The cost of a new land parcel information system has not been quantified and is not in the figures. I would not want to guess what the SMS messaging and animal inspections functionality would add, but I imagine that it would be fairly minor.

Drew Sloan may want to add to that.

Drew Sloan (Scottish Government): I will add a few comments.

As members can see, the business case is driven strongly by making farmer payments; being compliant and avoiding disallowance; and our being efficient and customer focused, as we need to get about 20 per cent efficiency savings to avoid our costs increasing. The de-scoping is pragmatic, as delivering farmer payments and disallowance drive the business case, in front of our efficiency, which is where some of those things come in. It is a pragmatic decision to meet the first deadlines. As Graeme Dickson mentioned, we had a much higher chance of being compliant in 2015 with the current land parcel information system and some slight upgrades than we ever had with a replacement, as in the original business case. We therefore had to take that decision to ensure that 2015 is successful.

The Commission has brought in these new upgraded rules through the implementing acts and we did not find that out until June this year, so we will have to revisit the matter and have a new system for 2016. Anything else that has been de-scoped is so minor in relation to what we have to do for 2015 that I am very relaxed that it will come back in later. The priority of the programme at the moment is not to block the development by doing something that prevents us from doing things later.

10:30

Colin Beattie: Paragraph 19 on page 8 of the Audit Scotland report says that

“more detailed planning is still to be developed for the remaining programme period”.

Does that imply additional costs?

Graeme Dickson: The detailed planning is about how we would rule those things out at each stage or each little software drop. We have a high-level plan that goes right through to December 2015, and within that deadline we have a detailed plan for each of the software drops. Until the next deadline in March next year, we have enormous planning detail for the programmers. Audit Scotland's report says that we need to do similar work for each of the successive software drops. It does not necessarily imply additional costs; it just says that we need to tie the planning down firmly.

The Deputy Convener: As you know, Audit Scotland raised the issue in the section 22 report on the basis that it was concerned about costs and progress, and it highlighted the risks over several years, not just this year. I thank Colin Beattie for raising that point.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): I raised the problem of changes to requirements and specifications the last time, and I would like to pick up on one or two of those issues with you. It is probably unusual for witnesses to receive a sympathetic hearing at the Public Audit Committee of the Scottish Parliament, but I have sympathy because of what you appear to be facing. There is nothing worse for a software engineer who is trying to design a system than to discover that it is growing arms and legs as they work through the process and the difficulties that that can cause.

Mr Dickson, in your opening remarks you said that sound IT systems are a requirement for qualification for payments. Have we complied with what the EU requires of us now to enable the process to continue smoothly and for the payments to be made?

Graeme Dickson: Ultimately, we will not know that until the audit. Going backwards from the land parcel information system, we received disallowance under the current programme because the auditors said that that system, which is a key control, was not compliant. That is why, as Drew Sloan said, having got that into a compliant form, we have kept it and modified it for use in the current programme. There is a very high degree of confidence there.

We are building the main part of the system with that compliance in mind. The complexity is due not just to the rules that have come in for the programmes, but partly to the fact that the basic portal that we will launch next month also has to meet those requirements. We have farmers, agents and agents who act for farmers and who are farmers themselves who go online to claim. We also have complex conflict-of-interest rules whereby, if we have staff members who have relatives, friends or neighbours who are claiming, the system has to prevent them from interacting with it. We have a degree of security because the system will deliver hundreds of millions of pounds a year and must be proofed against outside attack. That is currently being tested. Therefore, even the complexity of the portal to meet those audit requirements is pretty high, which is why the project grew arms and legs even during the early stages. We are building it with the audit rules in mind, and we are pretty confident that what we will deliver will meet those very high standards.

Willie Coffey: Is it reasonable to ask you whether any of that complexity could have been

anticipated—and if so, how much—given the political discussions about the CAP that were happening within the European Union? It was expected that there were going to be changes. You mentioned the 20-year-old IT system, which, in my experience, does only what it always did and nothing else. Is it fair to ask you how prepared we might, should or could have been for some of the changes that came our way?

Drew Sloan: I will take you through the full story and the timeline. The first document was published by the Commission in October 2011. In the early part of 2012, we realised that the reform was going to be really big, so we put teams together in the spring of 2012 to start work on it. It took from then until December 2012 for the business case to be put together, which said that the changes were not going to be just a tweak to the current system. Your observation is absolutely correct—it was clear that the system could not cope and that trying to make it cope would be more expensive and would probably not be audit proof. That is where some of the evolution happened—when we got to December 2012 and said, “This is not a tweak.”

There was a possibility that new stuff could have been developed alongside the old stuff in small, incremental steps—that was the view of one of our consultants—but it was clear that that was not going to go ahead. That is where we were in December 2012, and it addresses Mr Beattie’s question about why the IT partner was not appointed until March 2013.

The complexity continued to increase throughout the negotiation. We could see some of it coming, but until the Scottish Government announces its decisions before the Parliament in June we will not know exactly which bits of the complexity we will choose and which bits we will avoid.

Going back to Mr Crawford’s question about what lessons can be learned, the committee can take comfort in the fact that the Scottish Government and the cabinet secretary have had policy colleagues and implementation colleagues in the room together at all times. That is a benefit to a paying agency, in relation to the implementation, that not all our colleagues across Europe get. We did not get that benefit in the reform of 2005—when I first joined the Government—when it was clear that the package was thrown over the hedge from policy.

Although the package is very complex, as an implementation team we were at the table and were listened to, and the package could have been even more complex. There is nothing in our final version that we feel cannot be programmed into a computer or maintained by farmers. Choices could have been made—choices that other

countries have made—that we believe would have made it virtually impossible to keep the process audit compliant and deliver all the payments. We had certain choices about which options to take. We could pre-empt some of the system, but we started in May 2012 with a large team looking at it and we could not really finalise it until June 2013.

You asked about verifications. Negotiations with Europe are still going on as to what we will have to put into the verifications that we will launch next summer. It is an iterative process. We have the application form in build and it will be ready to go, but how we verify the data for audit purposes is awaiting decisions by the EU.

Willie Coffey: Thanks for that summary, which was very helpful and fair. You mentioned that user acceptance testing has been completed. Who are the users and who else needs to be involved in the process of acceptance testing? I presume, from your comments, that the Commission needs to have some oversight of the systems to check that they are fit for purpose and will deliver what we think they should deliver.

Drew Sloan: Not in relation to audit. The EU is great at saying, “This is the regulation. We’ll come and see you later to see whether you’ve complied.” So, no, the EU would not offer any help in that regard. However, what is new in the process is that the EU is vetting our policy decisions to ensure that we have not misunderstood the regulations in making our policy decisions. That is why some of the work is still on-going. The EU is able to say, “You’ve chosen this option but it’s incompatible with another one, so you can’t do it.” There is EU help in that way but not on the implementation side.

The user acceptance testing is taking place through customer focus groups aimed at finding out what people want, and we are working with people in the business—the business requirements people and product owners—with a separate UAT team checking that we have got what we asked for, which is fed from the customer focus groups. It is a classic internal UAT. We have not approached any friendly customers yet—that will be part of the soft launch next month.

Willie Coffey: Okay. This is my very last point, convener. Mr Pryce mentioned that we need to be in at the beginning, before the next change in 2020. I have a general question on that. When the EU thinks that it is about to make a major political change that will clearly have an impact on the systems and processes that will need to deliver and drive that change, how can we engage better at the system level to ensure that the political decision makers are fully aware of what they are doing and the impact that it will have on the systems that are required to carry through those policies? This seems to be a classic case of

politicians making a decision and not being fully aware of the impact that it will have on the systems that are required to deliver the outcomes of that decision.

Jonathan Pryce: That is a fair point. We have not yet completely cracked that relationship. However, we have networks of paying agencies across the European Union through which we share our experiences. We have a paying agencies directors conference every six months, where we get a chance to share our experiences of policies, and approximately twice a year there are meetings of IT professionals from the paying agencies at which there is an opportunity to share, and to form views on, how these things could be done better.

The disconnect at the moment is that there is not a significant link between either of those forums into the political decision-making process of the Council of Ministers. Indeed, in 2013, the previous commissioner was quite upset when a report from our conference—the April 2013 one, I think—highlighted the complexities of the system and countenanced that the Council should do something to simplify them. He was very put out that operational staff—paying agencies—were taking a view on that when it was in the political space.

There is something else that increases the complexity of the technology requirements. There is a group within the European Commission called—I think—the joint research centre, which sets the standards for mapping and remote sensing. The group is keen to use the common agricultural policy and the regulations that go with it to require countries to do what we would see as gold plating at the level of detail for the mapping that we are asked to do in order to control the activities of farmers. The information would be provided at a more detailed level than would be required simply to ensure that the money was being paid out in a properly controlled and defensible way. The upgraded LPIS that we are being asked to bring in by 2016 will be helpful, but making it a mandatory requirement in 2016 is asking more than is necessary. We thought that we would have until 2018, but it has been brought forward to 2016, which adds to the complexity and the challenges.

The Deputy Convener: Although my colleague Willie Coffey says that he has sympathy for the changing IT spec, you will not always get sympathy from this committee; obviously, that is not our job.

There are two points in the report that would not get you much sympathy. First, the Auditor General highlighted that the Scottish Government

"has estimated that it could incur costs of up to £50 million per year if the IT system failed to deliver the requirements of CAP reform".

I do not think that you would get much sympathy here for a £50 million fine.

The other issue—in which I think that you would incur even less sympathy—is the farmers not being paid on time. That point is highlighted on page 7 of the report, on the issue of the target for making payments, where it says:

"Discussions with key stakeholders have acknowledged that the new complexities arising from CAP reform may affect the usual timetable".

Where are you on those two issues—the £50 million and farmers' payments?

Graeme Dickson: I do not think that I would even get as far as the committee if that happened.

The Deputy Convener: I do not think that you would.

Graeme Dickson: The £50 million is a figure that we put into the benefits that we track as part of the programme. As well as the costs that we deliver, we have an on-going list of what we would expect in return. That was a rough estimate of a typical fine that the EU might levy if we got something wrong. By avoiding that, we say that we have a benefit.

Drew Sloan and his team have done another calculation for what would happen if we did not get the system right and incurred a penalty of the type that has been incurred by, say, the Rural Payments Agency in England under the current programme, and it appears that we would be disallowed £35 million a year for the whole programme. We are trying to avoid that by getting in place a sound system that meets all the EU audit requirements.

10:45

The Deputy Convener: You say that you are trying to avoid that, but can you give the committee any comfort that you are likely to do so?

Graeme Dickson: The system is designed to avoid our having those fines levied on us. We are designing our programme and how we deliver it and keeping things as simple as possible to avoid paying any fines.

The Deputy Convener: This issue was highlighted last month by the Auditor General. Are you saying that sufficient changes have been brought in to give you confidence that we are likely to avoid having to pay what you have called fines of either £35 million or £50 million?

Graeme Dickson: Yes.

Drew Sloan: I think that I can answer some of the committee's short-term concerns. It is very hard to predict exactly what the EU will fine a country. Its approach is arbitrary—sometimes the fine will be 2 per cent, sometimes 5 per cent and sometimes 10 per cent—but, in our view, the first big deadline is for customers applying to the new CAP. If that deadline were to be missed, we would automatically be fined something—and of course, farmers would expect not to forgo their total payments.

The risk around that first deadline—which is 15 May 2015—is huge, and the core portal with all the security that Graeme Dickson mentioned and the application form must be ready. The committee has not received any evidence since the Auditor General's report, which was based on the May report, but over the past three or four months confidence in those early releases that will get the application form to farmers has risen dramatically. We are in the final throes of that work, and the build will complete in the next three and a half weeks. We need to do that to achieve the opening of the application window.

That is the first big disallowance deadline. In European terms, the next big deadline with regard to disallowance is June 2016, which is when the payment window closes. We must have made the payments by then, or the liability could fall on the Scottish Government; the EU would fine us in any case. We saw what failure looked like with what happened to the Rural Payments Agency in the 2005 reform, and the equivalent disallowance for us would be an average £35 million a year.

The June deadline is our backstop. We therefore have a bit of time, and we have a plan that we are well ahead with. As you have said, the plan is not for June 2016, but for December 2015, when farmers normally expect to get their payments. That is what the plan shows, and that is what we are working towards.

There is a caveat, however. Stakeholders in various meetings have acknowledged that they want to get the policy right, even if that means putting the first payments on the timetable somewhat at risk. They do not want to do that, but they have acknowledged that we should not go for just the simplest model and guarantee the payments if that would be the wrong policy for Scotland.

I am sure that the committee is aware that our budget is very tight, and ensuring that it is used efficiently, which is what has been demanded by stakeholders and generally backed by the Parliament—I think; I did not quite follow who was backing what—has added some complexity. It has been acknowledged that things will be very challenging.

In short, as far as disallowances are concerned, we are working to the May 2015 and June 2016 deadlines, and the deadline for farmers is in between.

The Deputy Convener: Last month, the Auditor General highlighted a particular risk. This month, you are assuring us that farmers will be paid in December 2015 according to the usual timetable and that you are back on track with these payments.

Drew Sloan: I am not giving you all of those assurances. We are on track for the first deadline of March 2015 to ensure that farmers can apply by May 2015. We also have a plan to deliver by December, but I cannot sit here and assure you that things will go exactly to plan between now and then.

The Deputy Convener: Okay. The committee will discuss that in private following this evidence session.

Ken Macintosh (Eastwood) (Lab): The questions so far have focused on the complexity of the European programme, which the Auditor General addressed in her report. However, her report was about not just the complexity of EU demands but what she termed management shortcomings. Do you accept her criticism in that respect?

Graeme Dickson: There are two aspects to that.

The first aspect, as far as I read it, is about the staffing and resources that we had in place. When we initially went into the programme, we used the Audit Scotland checklist, and we believed that we had allocated the correct level of resource. However, when the complexities began to emerge about this time last year, I and Jonathan Pryce took the view that we needed to bring in more resource. We went out to market and brought in four highly experienced people to supplement our work, and we are satisfied that through our IT partner we have the good programming skills that we need.

Could we have done things better? If we had known then what we know now, we would have gone to the market sooner to get more people in place. Indeed, the gateway review that has just been carried out acknowledges that we have a good level of resource and a good team in place.

The second aspect that was highlighted in the report is the programme's governance. The gateway review highlighted that we were not entirely clear whether this was an IT or business change programme that we and our agricultural staff were managing, and it said that we should do something to address that matter. What was done was not done to the satisfaction of those carrying

out the review or, indeed, my satisfaction in May, which is why we put in a team to advise Jonathan Pryce, Drew Sloan and the staff on how to turn things around.

That is what we have done over the past couple of months, and the gateway review has picked up on the fact that we are in a much better, very good shape to do the work. I am therefore satisfied that the action that we have taken has addressed the Auditor General's concerns, and I hope that when the auditors come back they will agree with the gateway team that we have addressed the shortcomings highlighted in her report.

Ken Macintosh: You said that there were two aspects to the management shortcomings, but the Auditor General actually made three points in that respect. The first was

"insufficient capacity and capability",

the second was a

"lack of programme plan and critical path"

and the third was about

"Integration of the whole programme and lack of consistent approach".

One concern that the Auditor General raised and which was certainly shared by the committee was that these very same issues were raised by the Auditor General in the 2012 report "Managing ICT contracts". Am I right in thinking that you were aware of that report, and the difficulties that the Government has had in managing IT contracts, before you started this particular programme?

Graeme Dickson: Yes. As I said in my opening remarks, we used that Audit Scotland checklist. Our information systems investment board used that checklist to assess the programme when it considered the business case, and I assume that, at that point, it was satisfied with the case that was made. As things have rolled out and become more complex, we have gone back to, looked at and addressed governance and resourcing issues.

I did not pick up the Auditor General's third point, which was about planning. With a programme of this nature in which things happen in short bursts, it is very difficult to have a detailed end-to-end plan. We now have a high-level plan that goes right to December 2015, and we have detailed plans in place for doing each of the bursts of software. The assurance process suggests that it is good practice to have something called a plan on a page. That is what we have now, but it has to be a page of A3 because the plan is so big and so complex. That was part of the work that we did in the spring to address those concerns.

Ken Macintosh: Mr Crawford asked earlier about the lessons that we could learn from this project, but the point is that those lessons should

already have been learned. Why were they not? Given that the Government's governance of previous IT projects has led to exactly the same problems, why were the lessons not learned before you started this project? Why did you wait until things went wrong?

Graeme Dickson: As I have tried to explain, we went into the process in the belief that we would be delivering a programme that, although big, was not necessarily as complex as the one that we are doing now and that, after scoping it and looking at the lessons learned, we had put the right resources in place.

Within a few months of the contractor coming in and beginning to deliver it, we realised that it was going to be a much tougher and more difficult programme than we had first envisaged, so we took action to address the fact that we were living with a more complex programme than we had ever delivered before. That is why we have had to bring in substantially more senior people than we envisaged at the beginning. We had right sized it for what we were starting with, but it became a much bigger project and we have now addressed those concerns and put the resources in place.

Ken Macintosh: It is not entirely an EU-driven project, is it? A decision was taken to get other benefits from the programme, including the land mapping and the mobile technology. Whose decision was that? Was it taken by the senior management team or by the minister, and at what stage was it taken?

Graeme Dickson: I am told by Dr Pryce that it was taken by the senior management team. The benefits are part of delivering a better service to farmers and getting more efficiency out of our staff. The land parcel information system is a basic requirement of the European Commission. We have to have a detailed database of the 500,000 fields in enormous detail. We have the mobile technology in place for doing that part of the inspection. One of the business benefits was to extend it to animal inspections. I do not think that there was any gold plating; it was a matter of improving service and improving our business efficiency.

Ken Macintosh: The point is that you have dropped all those parts. We are not going to get any of those benefits, so it sounds to me as if they were unnecessary. Were you adding something to the project that was unnecessary at the beginning?

Graeme Dickson: I know that Drew Sloan wants to comment. We explained in our previous evidence that a couple of the benefits that have been dropped and will be brought back later are fairly minor and are not high cost. The main issue that we faced was how to get a compliant land

parcel information system in place. We decided to modify the current system rather than build a completely new one—and that will be in place—but, subsequent to that, we were told that we will need to put a completely new system in place because of changing EU requirements.

Drew Sloan: The LPIS is a key control in the EU. In December 2013, when the decision was taken, we believed that the successful path for 2015 was to continue with the current system with slight upgrading. Subsequently, the Commission has shown us that we need significant upgrading, so a new system has to come back into scope. As has been acknowledged, that is not in the current cost.

The drive for high technology has come about because, during the past couple of years, there has also been a drive to improve the level of maintenance and accuracy in the system. As Jonathan Pryce mentioned, the accuracy that is required on the ground for all features on all maps is beyond anything that you could imagine. We are trying to push that into the farmers' hands, because they are the ones who are there every day, rather than us looking at aerial photographs or Ordnance Survey maps, which are always out of date.

There is a whole technology drive to be more compliant, more efficient and more customer focused, and that will have to come in from the regulations. The other descope is, to my mind, peripheral.

Ken Macintosh: I think that the committee recognises what you are saying. The difficulty is that the additional features added to an already complex system. They have now been dropped, but the cost has risen, so we are getting no benefits and the future of the project has actually been jeopardised. Am I right?

Drew Sloan: No, I disagree. I do not recognise that.

Jonathan Pryce: No.

Ken Macintosh: Is there no jeopardy to the programme at all? Is the programme on course to be delivered on time?

Graeme Dickson: If what you are asking is whether those features added to the jeopardy, the answer is no.

Ken Macintosh: Did they add to the complexity?

Graeme Dickson: They added to the complexity, but we descope the major parts of them early on. We took out the other two minor factors around animal inspections and MMS, but they were not a big part of it.

As we said, we are in a better place now than we were earlier to give you the assurance that we will have the first part of the system up and running next month. We are now in a much more confident position to say that the next stage, when the application forms are online for farmers, will be in March 2015, and we have a plan to work through the successive bits of the software to deliver them on time.

11:00

Ken Macintosh: When will your cut-off point be? You have a deadline of May 2015. At what point will you agree either that the programme is going to work and that you will go with it or that you will abandon ship and put in place the contingency plans to which the Auditor General refers?

Graeme Dickson: One decision that we will need to make in the next month or two is about whether that is a risk that we need to address. That decision will come along fairly quickly. We would not take it lightly, and we would take it in the light of the information that was current.

As Drew Sloan said, the programme team meets every morning. We keep close track of progress and I hope that, by the time another month has passed, the assessment of the deliverability of the application forms will be at an even higher level and we will not need to make the decision on contingency.

Ken Macintosh: The original cost estimates were out by at least 25 per cent. That was in May, when you put in the gateway review. After that review, costs rose again, by another £10 million. Have costs risen since then?

Graeme Dickson: A couple of items are not in the current business case. One is for the examination of contingency—that was agreed by ministers a couple of months ago. In addition, we will need to scope in the costs of putting in a new land parcel information system. Neither of those is in the business case.

We keep our business cases up to date; a review of one is coming in shortly. We regularly report on our costs to the programme board. If things increase outwith a particular margin, they are flagged up. If costs increase within a certain margin, they have to be reported to ministers. Dr Pryce and I meet two cabinet secretaries pretty well every month to keep them up to date on the project and to apprise them of any deviation from our plan and any risk to the costs.

Ken Macintosh: The committee knows that, as of July 2014, the costs were already 34 per cent higher than originally estimated, but you are saying that, since then, the costs have risen again.

Graeme Dickson: There is one item that we have incurred and one that we know that we will need to incur. Against that, we are working—particularly with our IT delivery partner—to look at ways of mitigating costs and keeping down the pressure in the programme as much as possible.

Ken Macintosh: Can you give us a final outturn cost?

Graeme Dickson: I am afraid that I cannot give you a final outturn cost.

Ken Macintosh: You do not have a final budget forecast for the project.

Graeme Dickson: We would rather work through our business case at the next stage and look at all the contingency and other options before we come to a final figure.

Ken Macintosh: So the figure will be higher than £137 million, but you do not know how much higher.

Graeme Dickson: No—we do not know that precisely.

Ken Macintosh: Through the deputy convener, I ask that you share that final cost with the committee when it becomes available. Once you have completed your review and you have that information, the committee will want to know by how much the cost has risen again.

If we do not get this right, the cost of £50 million has been mentioned, but that is just one estimate—it could be higher than that, could it not?

Graeme Dickson: The EU has tended to bring in a blanket disallowance of 2.5 per cent or 10 per cent. Our past record over the programme is that we have had an average disallowance of about 1.2 per cent, which is probably better than most of the rest of the UK. It certainly puts us well in the middle of the field in Europe.

Our aim is to keep disallowance to an absolute minimum. We will do that not just by having the IT system to deliver the programme but by keeping the programme complexity level as low as we can. Drew Sloan's staff of agriculture inspectors are a big part of that. Getting the thing delivered—the IT system aside—is one of the skills involved, and our aim is to keep the disallowance to an absolute minimum.

James Dornan (Glasgow Cathcart) (SNP): On Ken Macintosh's last point, is it correct that although the figure might well be higher than £50 million, it could be much lower than that?

Graeme Dickson: I would like to deliver a zero disallowance in the next programme.

James Dornan: When the original business plan was put in place, was there any flexibility in it to combat the possibility that the EU might change the specifications?

Graeme Dickson: The original business plan had a figure in it with a lot of caveats, because we did not know at that point how complex the scheme would be. As I said in my opening remarks, we were promised a much simpler CAP, but we did not get it. To be fair, as we began to work through even the basics of the system, it became clear from an early stage that our caveats were all going to be used up. We should have had a much higher degree of optimism bias in the figure that we came up with in the original business plan.

James Dornan: Given the scale of the changes that were required, the information and communication technology report that was mentioned would not really be much use to you, would it? If you had no idea of the scope of the changes that the EU was going to ask for, you would not have been able to manage that earlier, would you?

Graeme Dickson: No. Audit Scotland's ICT report was helpful in giving us a checklist for how we manage and run programmes. We have generally adopted that checklist across Government. Using the checklist, we have delivered on time the Scottish wide area network, which cost about £240 million. We are also bringing in glow—the IT system for schools—on time. The checklist in the ICT report is helpful for governance and for resourcing programmes, but it does not help us to scope a programme's cost.

James Dornan: My last question also refers to something that has just been mentioned: the deadlines for farmers' payments. I think that you said that part of the reason why you scaled back on some of the peripheral stuff—that might be an unfortunate phrase to use—or the less central stuff was to ensure that everything was in place to meet the deadlines of May next year and December next year.

Graeme Dickson: Absolutely. Our predominant aim in the programme has been to ensure that it is delivered to those regulatory deadlines. When we look at each little parcel of software and discuss it with our contractor, we want to ensure that nobody is gold plating by putting anything unnecessary into it and that we are doing it in the most efficient way possible and getting the right teams of contractor staff to build the software as quickly as possible. We track our contractor's productivity and work with it to ensure that it has the right staff working on the project. Our contractor's productivity is improving, which helps to give us some assurance about our ability to meet such tight deadlines.

James Dornan: I am sorry, but I have a very last, last question. Are you confident that you will be able to meet the targets?

Graeme Dickson: The closer we get to them, the more confident I will become. The first big release of our portal is in December. I am very confident that, unless something completely untoward happens, that will be launched. As of this morning, when I talked to the senior reporting officer, I am very confident that in March next year we will have the software in place for the online application forms.

The closer we get to each deadline, the more detailed our planning can be and the more confident I am. We have an excellent team in place and we have a very good working relationship with our IT contractor. The more it delivers and the more it sees things roll out, the more confident it becomes and the more confident I become in turn.

The Deputy Convener: I remind our witnesses that the Auditor General states in the report that

"Delivery of the CAP Futures Programme will carry significant risk right up until implementation"—

which is what most members have asked about today, but she adds—

"and beyond."

That gives us some concern.

Jonathan Pryce: We asked the Auditor General to add the phrase "and beyond" because, even when we have a fully compliant IT system, we know from experience that the European auditors will come and quiz us on many things. If there are process slips of any sort, or if a farmer has made a mistake and we have not—in the European Union's eyes—adequately penalised that farmer and taken money off them, we will face disallowance. I emphasise that meeting the regulatory deadlines for the IT and the overall business change programme is not the end of the story as far as potential disallowance risks are concerned.

The Deputy Convener: Much of the evidence was about meeting deadlines, but it is important to have those comments on the record.

On the committee's behalf, I thank the Government officials for their evidence. I suspend the meeting to allow the witnesses to leave.

11:10

Meeting suspended.

11:15

On resuming—

“The 2013/14 audit of North Glasgow College”

The Deputy Convener: We move on to item 3. The committee has received a response from Glasgow Kelvin College regarding the Auditor General for Scotland’s report. I invite questions and comments from committee members.

Colin Beattie: What I see before me is very disappointing. It seems to be a litany of errors and misjudgments. I draw the committee’s attention to the conclusions on page 1 of the Scott-Moncrieff report, which is annex A in our papers. I will cite some of the individual components:

“The Remuneration Committee had not met for a number of years”.

Reasons are given for that, but they are pretty weak. The remuneration committee should be meeting periodically.

“The Committee received inadequate management support”.

“The Committee was unaware of the SFC guidance”.

The members of the committee are paid to know about that guidance; they are professionals, and they are supposed to be aware of it. The report goes on:

“The College had no severance policy requiring compliance with the SFC guidance.”

Why not?

Comment is made further down the same page, at paragraph 6:

“the governance applied to this agreement was inadequate.”

The chair of the board also chaired the remuneration committee and authorised the payments.

We could go through the report bit by bit and take it apart. Paragraph 45, on page 9, says:

“We have no evidence that any specific HR advice was received by the Committee.”

The whole thing is absolutely shocking. It is hard to know where to start. Who made the decisions on gardening leave? Who decided that that was a good idea? It was never used, so it is clear that it was poorly thought out.

The report by Scott-Moncrieff does not come to any conclusion other than the actual facts, which I suppose is all that it can do, but what is the college doing with it? What is its next step? The situation is completely inadequate and appallingly poor. It is a very bad indicator of how colleges handle such matters.

The Deputy Convener: North Glasgow College no longer exists; it has merged into Glasgow Kelvin College.

Colin Beattie: Indeed, but we are looking at a snapshot in time and what happened around it.

The Deputy Convener: Indeed—exactly.

Colin Beattie: What happened was certainly not best practice. Matters were poorly executed. The situation has to be investigated further to ensure that there is no recurrence.

The Deputy Convener: Thank you for that. I cannot say that I disagree with anything that you said.

James Dornan: My concerns are around the governance of the situation. I used to be on a remuneration committee. We met when required and we always ensured that our decisions were reported to the full board and put on the public record. For me, that is one of the big issues.

There are a number of issues around the amount of money that has been paid, the gardening leave and the fact that the college seems not to have complied adequately, as it should have done. There are lessons to be learned there.

The deputy convener is right that North Glasgow College no longer exists, so there is not really anybody who is to blame, but we have to take the lessons from this case and ensure that the Scottish Further and Higher Education Funding Council gets the message out to all the colleges and to other bodies for which it is responsible.

Colin Keir (Edinburgh Western) (SNP): My interest is in trying to get an idea of when the board of North Glasgow College knew about the issue and what the role of the non-executive members was in pulling all of this together. For me, the issue going forward is whether people in the college system at present are aware of the rights and responsibilities of non-executive board members in pulling this sort of thing together and ensuring that what happened does not happen again.

The Deputy Convener: I think that you are right. If we were looking for a template for how not to do things, we probably have it in front of us today.

Before looking at how the committee will go forward on the issue, we will hear from Ken Macintosh.

Ken Macintosh: The report tells us that there was no audit trail for the process. That fact has been flagged up and criticised. However, the remuneration committee gave evidence that it was aware of the settlement and approved it.

For me, the worrying thing is that the Scott-Moncrieff report states that

"The full costs to the College were not ... identified because of confusion ... or misinterpretation of the guidance from the SFC"

and an assumption that the costs would be funded. The college merger process was highly controversial and political and it received quite a lot of scrutiny and attention. I would like to be reassured about what monitoring of the process took place and I would like to know what the relationship was between the SFC and the Government, not just for this merger but for the other college mergers.

I would therefore like to know whether it is possible for us to ask the SFC what it knew about the process. It knew that three colleges were coming together and that, because only one principal would be required, arrangements would have to be made for the other two principals. The question is how much involvement the SFC had, how much notification it was given, and exactly—

The Deputy Convener: That is a good point, particularly given that, as Colin Beattie said, the remuneration committee was unaware of the SFC guidance.

Ken Macintosh: Exactly.

The Deputy Convener: I think that I am also right in saying that the additional funds that were required led the college into a deficit position, which was very serious.

Ken Macintosh: That is exactly it. The committee obviously made an assumption, and it clearly felt that it had received an assurance from somebody.

I would also like to put the question to the Scottish Government. How far was it kept in the loop and what notification was it given by the SFC or the colleges about the process?

The Deputy Convener: Okay. We have gathered thoughts from around the table, and what the Scott-Moncrieff report indicates gives us cause for serious concern. Our options in response are that we can note the report, we can seek further written or oral evidence on the issues raised in the section 22 report from the Government, the SFC or other relevant stakeholders—I am aware that we are looking for assurances—or we can refer the report to the Education and Culture Committee.

Colin Beattie: I suggest that we need further comment, certainly from the SFC.

The Deputy Convener: Are you talking about oral evidence?

Colin Beattie: Maybe we should ask for written evidence. That would allow us to look at what the SFC says and decide whether we should take it further. We might also need to look at some of the other stakeholders. It is a difficulty that the college no longer exists, because otherwise we would call on it to come forward.

The Deputy Convener: Indeed. We should certainly seek comment from the SFC. My concern is that, if North Glasgow College was unaware of the SFC guidance, we need assurances about the new college structure going forward.

Bruce Crawford: I am with Ken Macintosh on the issue. He hit the nail on the head in terms of the specifics regarding North Glasgow College. We certainly need to ask the SFC what it knew about the situation and what guidance was available to the college so that we can see what that looks like. We also need a general assurance from the SFC and the Scottish Government—although it will be difficult for the Government to say what happened in each of the colleges, because they were independent bodies at the time—about what they knew of the two other colleges' processes.

The Deputy Convener: Okay. Is the committee content—

Bruce Crawford: But I recognise how tough it might be for the Government to get the information.

The Deputy Convener: We are really looking forwards here. As was said, North Glasgow College no longer exists, but we want an assurance that, in future, we will be looking not at the worst of practice but at the best of practice.

Is the committee content that we write to the SFC and the Scottish Government to seek the answers—

James Dornan: What would we write to the Scottish Government for?

The Deputy Convener: It was Bruce Crawford who raised the issue of the Scottish Government.

James Dornan: Yes, I know. It was both Bruce Crawford and Ken Macintosh, but—

Ken Macintosh: The college seemed to assume that it would get funding. I would just like to find out whether the Government had any direct contact and what its involvement was. The assurance is clearly not auditable, so I want the Government to tell us what it knew about the process, whether it was kept informed and how much direct involvement it had.

James Dornan: I am happy to write to the Government, but I do not really understand what it is that we are writing to ask. Are we writing to ask,

“Did you tell somebody, ‘Don’t you worry, we will give you money to pay people off?’”

Ken Macintosh: Yes. I just want to find out what its involvement was.

James Dornan: Surely it was the role of the Scottish funding council to manage that. I would have thought that it was the obvious place to write to, but if you think that there is benefit in writing to both the SFC and the Government, we could do that.

The Deputy Convener: Gardening leave was mentioned by Colin Beattie and others. Given that we have a smaller structure of fairly successful merged colleges, it would be nice to get an assurance from the Government that guidance is in place and no one can plead ignorance in future. That is how I am looking at it.

We shall therefore write to the Scottish funding council and the Government to seek assurances on the points that members of the committee have raised today. Is that agreed?

Bruce Crawford: First, I want to ensure that we know exactly what we are doing. On the specifics of the college involved, we need to know what guidance was available and what the Scottish funding council and the Scottish Government knew about it. More generally, in relation to the rest of the college structure, we need to know what the Government knows about what actually happened on the ground as the mergers went through.

The Deputy Convener: To go back to Colin Beattie’s point, I note that the conclusion of the report was that

“The Remuneration Committee had not met”.

That is not acceptable, as James Dornan said. The report also stated that

“The Committee received inadequate management support,”

which is also not reasonable, and that

“The Committee was unaware of the SFC guidance”.

I do not think that that is an acceptable excuse. Finally, the report found that

“The College had no severance policy requiring compliance with the SFC guidance.”

Moving forward, we want an assurance that those safeguards are in place and that lessons have been learned.

Willie Coffey: I add a comment based on examples that, although they are not similar to the case in point, raise the same issues of governance and accountability. Putting guidance in place does not guarantee that people will implement or even read it, and we have seen a few examples of that

over the years. Ultimately, how can we make the boards of colleges accountable so that we can ensure that they practice and put in place the guidance that is issued to them? We expect them to do it and we hope that they will do it, but how do we make sure that they do it? We would hate to think that something like this could occur again without any line of accountability.

The Deputy Convener: That is a reasonable point and it is something that we can ask the Scottish funding council about. It is unacceptable to say, “The guidance was there, but we didn’t know about it.”

Bruce Crawford: To take up Willie Coffey’s point, we should ask the Scottish Government to explain how the changes that have been made to the college structure will approve accountability. That is the real issue.

The Deputy Convener: Indeed.

Bruce Crawford: Colleges used to be standalone organisations. Now that new arrangements are in place, we need to know how they will make governance better.

The Deputy Convener: I am happy to draft a detailed letter covering those points. It will be circulated to the committee to ensure that the issues that members are concerned about are covered. Is that agreed?

Members indicated agreement.

Section 23 Reports

“Reshaping care for older people”

11:28

The Deputy Convener: Item 4 is a section 23 report on reshaping care for older people. The report looks at the progress three years into a 10-year programme, and the Scottish Government has committed to provide further information on some of the committee’s recommendations once on-going work has been concluded.

I invite questions and comments from members. We have various options. We can note the responses, require further oral or written evidence, highlight issues to the Health and Sport Committee, or ask for a progress update on any report recommendations in the next Scottish Government progress report, which is due in May 2015.

Ken Macintosh: This was quite a worrying report from the Auditor General. As I recall, the comments were that there is limited evidence of progress being made and that, instead of resources being shifted from the acute sector to community care, the community care budget is going down and the acute sector budget is going up. We have heard evidence that the sector is under a number of policy pressures. As well as the reshaping care for older people programme, the biggest one is perhaps waiting list targets, but there are other priorities. We might say that those targets are not being met, but that is a separate issue. It was felt that progress is not being made and that therefore the situation is unsustainable.

11:30

The Deputy Convener: There are concerns. Exhibit 11 in the report illustrated that, of the eight commitments, progress has been made on only three. However, I appreciate that we are three years into a 10-year programme, so we need to take that into account.

Ken Macintosh: Exactly. We have already had an evidence session on the issue with Paul Gray, so I do not see much point in going back over the issues. However, paragraph 7 of the response makes the promise that the Government is

“working to develop indicators and outcomes for integration”

and will come back to the committee on that next year.

To be honest, although we have concerns and we have aired them, I am not sure that the response entirely addresses them, because it just talks about what is already happening, although

clearly that will make a difference. However, as the Government is going to come back to the committee, I am happy to wait for that.

The Deputy Convener: I think that we will receive a progress report. We have done our own report on the issue. We cannot truly expect all eight recommendations to be met within three years, but we are looking at progress, and I appreciate that it is disappointing.

Willie Coffey: Let us remember that an additional £100 million has gone into supporting health and social care partnerships and so on. One issue that came up at the committee is the integration of local data to help to manage the processes better. Page 3 of the Government response refers to the rather catchily titled health and social care data integration and intelligence project, which will

“enable every local authority to link social care data with health data”.

An issue that comes up from time to time is about how the different systems in areas of responsibility that were previously sort of independent are now coming together. Of course, it is a burden to bring together the data to manage that. I am pleased to see that comment, but I do not underestimate the difficulty that that could involve, particularly when, for example, general practitioner systems across Scotland are different and are all over the place. I wonder how the health boards and local authorities will proceed with that. I am happy to keep an eye on that and get progress reports as things develop. That is a crucial issue—it is about data management and doing it correctly for patients.

The Deputy Convener: I could not agree more.

Basically, we have some concerns.

Bruce Crawford: The general thrust of my comments is that we need to come back to the issue at a later date. For me, paragraph 2 is one of the key paragraphs in the response, as it highlights what the Government is trying to do to shift the balance of care and the various methods that it is trying to employ. The paragraph goes on to suggest that savings might be available in the acute sector because of that. I for one am not convinced about that. There might be savings, but the money will not necessarily transfer to care in the home, given the huge pressures that we all know are on the health service. Although there might be savings in the acute sector, the money will not automatically go to other parts of the service, as it might have to remain in the acute sector to allow it to continue to deliver. When we get the update, I would like to understand where any savings that are identified will be applied.

The Deputy Convener: Your comments are on the record. We do not underestimate the complexities of the issue.

Are colleagues content to note the response, given that we will receive a Scottish Government progress update in May next year?

Members indicated agreement.

“Managing early departures from the Scottish public sector”

The Deputy Convener: Our next section 23 report, on managing early departures from the Scottish public sector, probably has Kenneth Macintosh’s name all over it. We have received evidence from the Scottish Government on the Auditor General’s report. I invite questions and comments from members on the issue. As I named you, Kenneth, we will go straight to you.

Ken Macintosh: I remind members of the evidence that we have taken on the issue. The Auditor General produced a report that flagged up weaknesses in the approach to early departures. In evidence taking, we explored further difficulties with the use of confidentiality or gagging clauses. Initially, we got a rather unsatisfactory response from the head of the civil service, but the Government says that it is going to change its practice and its policy. The difficulty that we have is that the Government said that it had a policy of not using confidentiality clauses in the national health service but we know that not only does it use them, it uses them in virtually every case and the use of such clauses has been growing every year. The worry is whether we have the ability to monitor the commitment not to use them.

From now on, the Government will report on the matter annually to Parliament, and it has expanded the number of bodies on which it will report and will collect the information centrally. That is to be applauded, and I look forward to receiving those reports. The only point that I would make is that, although the Government will report on settlement agreements, it will not report on voluntary redundancy which, as members can imagine, is one of the biggest schemes and one of the biggest costs.

Given what we heard under agenda item 3 about the redundancy programme for senior management at colleges, it is extremely important that Parliament can at least cast an eye over, if not ask further questions about, how much money is being spent on redundancy, because we are talking about huge sums of money—hundreds and hundreds of millions of pounds. The second part of the issue is confidentiality agreements.

We should bear in mind that, although the Scottish Police Authority is covered, Police

Scotland is not—in other words, settlement clauses and redundancy payments for police officers are not covered. There have been a couple of cases, which have been widely reported, of officers leaving and being given very generous settlements, and then being re-employed a matter of weeks later. The situation is similar with universities. I am pretty sure that colleges are covered but universities are not. We should bear that in mind.

Otherwise, I am happy to note the submission and delighted that the Government is to report to Parliament.

The Deputy Convener: I agree with you—I think that we have moved forward on the issue. There is now a presumption against the use of confidentiality clauses. It is fair to say that there is more transparency, although whether there is enough is another matter. The Auditor General is in the room, so I am sure that she will have noted what you said about Police Scotland.

Bruce Crawford: I agree that we should note the submission, but Ken Macintosh made some pretty sweeping statements and, without looking at some of the numbers, I am not prepared to accept what he said as far as the health service is concerned. I would need to look at the figures. Because Ken Macintosh says something, that does not make it right.

Ken Macintosh: It was the Cabinet Secretary for Health and Wellbeing who made the remark in question.

The Deputy Convener: I think that Ken Macintosh was talking about the historical situation. We are moving forward.

Bruce Crawford: But the main point as far as voluntary exit schemes are concerned is that, as is made entirely clear in the letter that we got from the head of the civil service,

“The numbers of staff leaving through voluntary exit schemes and the associated costs are reported in the consolidated annual accounts for each public body. They are ... reported centrally to Parliament.”

Therefore, there is oversight by the Parliament of that aspect.

The Deputy Convener: I remind members that, at the end of our meeting on 5 November, the Auditor General confirmed that she would report back to the committee with further information on the number of settlement agreements and the use of confidentiality clauses in the NHS, along with any concerns raised by local auditors.

Bruce Crawford: I would like to correct the record, because I made a mistake—I missed out the word “not”. I should have said:

“They are not reported centrally to Parliament.”

However, that information is available in the annual accounts.

The Deputy Convener: There is more transparency; whether there is enough transparency is another matter.

Do members agree to note the submission, bearing in mind the fact that we will receive a further report from the Auditor General?

Members indicated agreement.

“Modern apprenticeships”

The Deputy Convener: The next item is a section 23 report on modern apprenticeships. We have had written submissions from Skills Development Scotland and the Scottish Government. We took evidence from SDS as long ago as 28 May, following which we sought clarification from SDS and the Scottish Government on several issues.

Are members content to note the submissions, or do we wish to seek further written or oral evidence? Do members have any questions or comments?

James Dornan: I would be happy to note the submissions.

The Deputy Convener: I think that the issue is also being discussed at the Education and Culture Committee. Do committee members agree to note the submissions?

Members indicated agreement.

The Deputy Convener: We are doing a real mopping-up exercise today.

“Self-directed support”

The Deputy Convener: Item 7 is a section 23 report on self-directed support. There is a 10-year strategy running to 2020, and the Auditor General, having reviewed the early progress, gave a commitment to continue to monitor the strategy as part of her work on the NHS. It just so happened that I was talking last night to a social worker from Fife who said that a lot of progress is being made on the ground. However, there are still six years before the strategy will be fulfilled.

Are there any questions or comments? Do members wish to note the report or to seek further written evidence?

Ken Macintosh: There is clearly a major change taking place in our communities and services, which I think has the support of all the parties that are represented in the Parliament

The Deputy Convener: Yes—from all the parties.

Ken Macintosh: However, it is also quite a painful change. There are two processes going on simultaneously. There are budget cuts, and there are also changes to self-directed support, and those are happening at the same time. Sometimes, it is difficult to tell what is happening.

A lot of day care services provided by local authorities are being closed, and people are not using their own budgets to purchase such services. It is quite a traumatic process for some.

The letter that we have received is particularly useful, as it tells us how the Government is going to collect information on the matter, including, I note, a

“Survey regarding the views and experiences of social care users and their carers.”

That will be very useful. I am sure that the Health and Sport Committee will appreciate that, as will we when we return to the matter in about a year or whenever it is.

The Deputy Convener: It will be worth coming back to it, and I highlight the complexity of the merging of the health and social care budgets, which Willie Coffey has mentioned previously.

James Dornan: I am delighted that everybody supports the strategy. I am happy to hear that you were speaking to a social worker last night who was happy with it. It is a great thing. However, it would be nice if there was a more uniform way for local authorities to implement it. There seem to be huge differences in the ways in which local authorities are taking SDS and running with it.

Ken Macintosh has mentioned day care centres. When the cost of day care centres is raised to a fairly exorbitant amount, that presents a disincentive for people to use them. Local authorities should think carefully about that.

The Deputy Convener: You are absolutely right. I used to monitor how many local authorities gave direct payments. That went through in accordance with the Community Care and Health (Scotland) Act 2002, which was passed in the first session. Fife was always the leader with direct payments, and the social worker I met last night was from Fife, so perhaps they are in the lead there. Committee members are right that the matter is worth monitoring, and it is quite a complex issue. Many changes are happening just now.

Are we content, for the time being, to note the submission?

Members indicated agreement.

The Deputy Convener: We will now move into private session. I thank all members for their forbearance as I stand in for our normal convener, Hugh Henry.

11:43

Meeting continued in private until 12:20.

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